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C O M M I T T E E M E E T I N G

before

SENATE REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE

on the following bills

S-890, S-2063/2049 Scs, A-2325/2359 1R Acs, S-2474, S-2677
S-2685, S-2699, A-2949, S-2907, S-2921/1891 Sca, S-2956,
S-2966, S-2981 Sca, and S-3025

November 21, 1988
Room 424
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT

Senator Laurence S. Weiss, Chairman
Senator Wynona M. Lipman
Senator Walter Rand
Senator Ronald L. Rice
Senator Gerald R. Stockman
Senator Leanna Brown
Senator John H. Ewing
Senator Henry P. McNamara
Senator Richard A. Zimmer

New Jersey State Library

ALSO PRESENT

Peggy McNutt
Office of Legislative Services
Aide, Senate Revenue, Finance and
Appropriations Committee

* * * * *

Meeting Recorded and Transcribed by
Office of Legislative Services
Public Information Office
Hearing Unit
State House Annex
CN 068
Trenton, New Jersey 08625

COMMITTEE ON ASSASSINATIONS

1958

REPORT OF THE COMMITTEE ON ASSASSINATIONS

on the following:

1. The assassination of President John F. Kennedy
2. The assassination of Senator Robert F. Kennedy
3. The assassination of Dr. Martin Luther King, Jr.

November 11, 1958

U.S. House of Representatives
Committee on Assassinations
Washington, D.C.

MEMBERS OF COMMITTEE

Senator Edward J. Brooke
Senator William M. Lister
Senator Walter R. Mondale
Senator Robert F. Kennedy
Senator Gerald R. Ford
Senator James E. Buckley
Senator John F. Kennedy
Senator Henry P. McNamara
Senator Richard A. Russell

New York State Library

ALSO PRESENT

Mr. J. Edgar Hoover
Director, Federal Bureau of Investigation
Mr. J. Lee Rankin
Assistant Attorney General

Meeting Room 1 and Transcribed by
Office of Legislative Services
U.S. House of Representatives
Washington, D.C.
November 11, 1958
Enclosure

LAURENCE S. WEISS
CHAIRMAN

VICE-CHAIRMAN
MATTHEW FELDMAN
WYNONA M. LIPMAN
WALTER RAND
RONALD L. RICE
GERALD R. STOCKMAN
LEANNA BROWN
JOHN H. EWING
HENRY P. McNAMARA
RICHARD A. ZIMMER



New Jersey State Legislature

SENATE REVENUE, FINANCE
AND APPROPRIATIONS COMMITTEE
STATE HOUSE ANNEX, CN-068
TRENTON, NEW JERSEY 08626
TELEPHONE: (609) 984-6798

MEMORANDUM

November 14, 1988

TO: MEMBERS OF THE SENATE REVENUE, FINANCE
AND APPROPRIATIONS COMMITTEE

FROM: SENATOR LAURENCE S. WEISS, CHAIRMAN

SUBJECT: COMMITTEE MEETING - November 21, 1988

(Address comments and questions to Peggy McNutt, Committee Aide at (609) 984-6798).

The Senate Revenue, Finance and Appropriations Committee will hold a meeting on the following bills on Monday, November 21, 1988 at 10:00 a.m., in Room 424 of the State House Annex.

S-890
Lynch

Appropriates \$1,148,000 to the Commission on Science and Technology for an Agricultural Molecular Biology Center.

S-2063/2049 Scs
Cowan/DiFrancesco

Establishes New Jersey Health and Life Insurance Plan for certain unemployed individuals; appropriates \$50,000,000.

A-2325/2359 1R Acs
Littell/Genova

Establishes New Jersey Health and Life Insurance Plan for certain unemployed individuals; appropriates \$50,000,000.

S-2474
Costa

Changes definition of veteran to include members of the American Merchant Marine during World War II who are declared by the U.S. Dept. of Defense to be eligible for federal veterans' benefits.

S-2677
Gagliano

Supplemental appropriation of \$310,000 to Department of Health to establish a Lyme Disease program.

S-2685
Codey

Supplemental appropriation of \$5,200,000 to the Department of Higher Education for grant to Seton Hall University School of Law.

Senate Revenue, Finance and Appropriations Committee

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November 14, 1988

S-2699
Feldman

Supplemental appropriation of \$1,500,000 to the Department of Health to expand activities in the areas of diagnosis and treatment of birth defects and genetic diseases.

A-2949
Frelinghuysen/
Watson
(Pending referral)

Supplemental appropriation of \$750,000 to the Department of Health to expand activities in the areas of diagnosis and treatment of birth defects and genetic diseases.

S-2907
Bassano

Requires Medicaid program to cover hospice services.

S-2921/1891 Sca
Russo
(Pending referral)

Establishes a Governor's Council on Alcoholism and Drug Abuse; appropriates \$4,500,000.

A-1774 2R Sca
Kern/Ogden
(Pending referral)

Establishes a Governor's Council on Alcoholism and Drug Abuse; appropriates \$4,500,000.

S-2956
Rand
(Pending referral)

Appropriates \$3,000,000 to the N.J. Commission on Cancer Research.

S-2966
Weiss

Appropriates \$2,500,000 in federal funds to Department of Law and Public Safety for organized crime law enforcement.

S-2981 Sca
Codey
(Pending referral)

Establishes "Uncompensated Care Trust Fund".

S-3025
Weiss

Supplemental appropriation of \$297,929.59 for certain claims against the Legislature for attorneys' fees and costs.

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1988 SESSION

By Senator LYNCH

1 A SUPPLEMENT to "An Act making appropriations for the
support of the State Government and the several public
3 purposes for the fiscal year ending June 30, 1988 and
regulating the disbursement thereof," approved June 30, 1987
5 (P.L. 1987, c. 154).

7 BE IT ENACTED *by the Senate and General Assembly of the
State of New Jersey:*

9 1. In addition to the amounts appropriated under P.L. 1987, c.
154, there is appropriated out of the General Fund the following
11 sum for the purpose specified:

13 DIRECT STATE SERVICES
20 DEPARTMENT OF COMMERCE AND
15 ECONOMIC DEVELOPMENT
50 Economic Planning, Development and Security
17 51 Economic Planning and Development
2890 New Jersey Commission on Science and Technology
19
24-2890 New Jersey Commission on Science
21 and Technology \$1,148,000
Grants:

23 Center for Agricultural
Molecular Biology (\$1,148,000)

25 2. This act shall take effect immediately.

27
29 COMMERCE AND INDUSTRY
Science and Technology

31 Appropriates \$1,148,000 to the Commission on Science and
Technology for an Agricultural Molecular Biology Center.

BY SENATOR LYNCH

1 A SUPPLEMENT TO THE ACT RELATIVE TO MAKING APPLICATIONS FOR THE
2 support of the State Government and the several public
3 purposes for the year ending June 30, 1988 and
4 regarding the "Molecular Biology Center" approved June 30, 1987
5 P.L. 1987, c. 154.

6 BE IT ENACTED BY THE SENATE AND GENERAL ASSEMBLY OF THE
7 State of New Jersey, that
8 1. In addition to the appropriation made under P.L. 1987, c.
9 154, there is appropriated out of the General Fund the following
10 sum for the purpose of:

11 DIRECT STATE SERVICES
12 TO DEPARTMENT OF COMMERCE AND
13 ECONOMIC DEVELOPMENT

14 20 Economic Development and Security
15 31 Economic Development and Security
16 2890 New Jersey Commission on Science and Technology

17 24-2890 New Jersey Commission on Science

18 and Technology
19 Grants

20 Center for Molecular Biology (21,143,000)
21 This act shall take effect immediately.

22 COMMERCE AND INDUSTRY
23 Science and Technology

24 Appropriates \$21,143,000 to the Commission on Science and
25 Technology for an

SENATE, Nos. 2063 and 2049

STATE OF NEW JERSEY

ADOPTED JANUARY 12, 1989

Sponsored by Senators COWAN, DiFRANCESCO, LESNIAK,
JACKMAN, O'CONNOR and CARDINALE

1 **AN ACT** to provide basic health insurance coverage and life
insurance for unemployed individuals through a health and life
3 insurance trust fund, amending R.S.43:21-7, supplementing
chapter 21 of Title 43 of the Revised Statutes, and making an
5 appropriation.

7 **BE IT ENACTED by the Senate and General Assembly of the**
State of New Jersey:

9 1. (New section) Sections 1 through 11 and sections 13 and 14
of this act shall be known and may be cited as the "New Jersey
11 Unemployment Health and Life Insurance Act."

13 2. (New section) The Legislature finds and declares that:

15 a. Many of New Jersey's workers who become involuntarily
unemployed lack health and life insurance coverage for
themselves and their dependents;

17 b. The lack of health and life insurance coverage among
unemployed workers and their dependents threatens the physical
and economic well-being of these workers and their dependents
19 and is a matter of general interest and concern to the citizens of
this State;

21 c. The provision of minimum levels of health and life insurance
coverage to workers who become unemployed and who comply
23 with the provisions of the "unemployment compensation law,"
R.S.43:21-1 et seq., and the "Extended Benefits Law," P.L.1970,
25 c.324 (C.43:21-24.11 et seq.), is consistent with the purposes of
those laws to provide benefits to workers during periods of
27 involuntary unemployment, thus maintaining purchasing power
and limiting the serious social consequences of public assistance
29 for those workers;

31 d. The present level of reserves in the unemployment
compensation fund is sufficiently high in relation to current and
projected levels of covered unemployment within the State to

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 allow the permanent diversion of a portion of each covered
employee's total contribution from that fund to a special trust
3 fund for providing basic health and life insurance coverage for
individuals affected by involuntarily unemployment;

5 e. A health and life insurance program financed solely through
employee contributions to a special trust fund is in the interests
7 of the citizens of this State in protecting workers and their
dependents during difficult economic times, in reducing health
9 care costs in the State by providing a continuum of health
insurance coverage for workers in this State, and by partially
11 addressing the crisis of uncompensated care at hospitals
throughout the State; and

13 f. Therefore, it is necessary and proper for the State to
establish, through the collection and use of employee
15 contributions, a program to provide health and life insurance
benefits to workers during periods of involuntary unemployment.

17 3. (New section) As used in sections 1 through 11 and sections
13 and 14 of this act:

19 "Applicable premium" means, with respect to continuation
coverage, the cost to the health insurance plan or life insurance
21 plan, or both, for one 28 day period or two consecutive 28 day
periods of coverage that may be purchased by the individuals
23 covered by the plan or plans.

"Commission" means the New Jersey Unemployment Health
25 and Life Insurance Commission created by section 6 of this act.

"Commissioner" means the Commissioner of Labor.

27 "Continuation coverage" means one 28 day period or two
consecutive 28 day periods of coverage under the health
29 insurance plan or the life insurance plan, or both, which may be
purchased by the individual upon expiration of the individual's
31 eligibility period pursuant to subsection c. of section 4 or
subsection c. of section 5 of this act, or both.

33 "Contributions" means the amounts paid by an employee which
are withheld by an employer for deposit in the New Jersey Health
35 and Life Insurance Trust Fund pursuant to section 8 of this act.

"Controller" means the Office of the Assistant Commissioner
37 for Finance and Controller of the Department of Labor,
established by the 1982 Reorganization Plan of the Department
39 of Labor.

1 "Department" means the Department of Labor.

2 "Dependent" means an unemployed individual's spouse or an
3 unmarried child, including a stepchild or a legally adopted child,
4 under the age of 19 or an unmarried child, who is attending an
5 educational institution as defined in subsection (y) of
6 R.S.43:21-19 on a full-time basis and is under the age of 22.

7 "Division" means the Division of Unemployment and
8 Temporary Disability Insurance in the Department of Labor.

9 "Eligibility period" means the period of weeks in an
10 individual's benefit year during which the individual is eligible to
11 receive benefits under the "unemployment compensation law,"
12 R.S.43:21-1 et seq., or, if applicable, the "Extended Benefits
13 Law," P.L.1970, c.324 (C.43:21-24.11 et seq.), during which
14 period the unemployed individual may be enrolled in the health
15 insurance plan, the life insurance plan, or both. However, the
16 individual shall not be eligible for enrollment in the health or life
17 insurance plan for a period of 28 days following the date of the
18 claim commencing the benefit year. If the department
19 determines that an unemployed individual is eligible for
20 enrollment in the health insurance plan or the life insurance plan,
21 or both, the unemployed individual shall be eligible for enrollment
22 until the expiration of the unemployed individual's benefit year
23 or until the expiration of the unemployed individual's maximum
24 weeks of benefits for the benefit year under the "unemployment
25 compensation law," R.S.43:21-1 et seq., or the "Extended
26 Benefits Law," P.L.1970, c.324 (C.43:21-24.11 et seq.), whichever
27 date is earlier. The maximum eligibility period, however, shall
28 not include the period of continuation coverage by an unemployed
29 individual under subsection c. of section 4 or subsection c. of
30 section 5 of this act, or both.

31 "Fund" means the New Jersey Unemployment Health and Life
32 Insurance Trust Fund created by section 8 of this act.

33 "Health insurance plan" means the New Jersey Unemployment
34 Health Insurance Plan established pursuant to section 4 of this
35 act.

36 "Health services" means in-patient hospital services,
37 emergency out-patient hospital services, and physician's services
38 provided at the physician's office, a health clinic, or the
39 patient's home, except that "health services" shall not include:

1 services provided by out-of-country physicians or providers;
elective surgery; elective cosmetic surgery; any service that does
3 not meet the medical necessity or level of care requirements of
the health insurance plan; services resulting from a motor vehicle
5 accident if those services are eligible for payment under the
personal injury protection insurance coverage provided pursuant
7 to section 4 of P.L.1972, c.70 (C.39:6A-4) or any other policy of
motor vehicle insurance, whether or not a proper and timely
9 claim for payment for these services is made under the motor
vehicle insurance contract; services for the treatment of any
11 condition, disease, illness or injury that is compensable under the
workers' compensation law, R.S.34:15-1 et seq.; services
13 provided for screening, research studies, education or
experimentation, routine pre-operative consultations, and
15 stand-by services; services given during a hospital,
detoxification, residential or skilled nursing facility stay
17 whenever the stay is primarily for bed rest, rest cure,
convalescent, custodial or sanatorium care, diet therapy or
19 occupational therapy, or any combination of these reasons;
services during any part of a hospital or skilled nursing facility
21 stay that is primarily for physical or rehabilitation therapy;
physician services for anesthesia and consultation when those
23 services are given in connection with any other service that is not
covered; skilled nursing facility services for care of mental,
25 psychoneurotic, or personality disorders or tuberculosis or in
connection with administration of dialysis; housekeeping services
27 under home care visits; blood, plasma, other blood derivatives or
components when used as blood substitutes or replacements;
29 orthopedic or prosthetic devices including; but not limited to,
heart valves and artificial limbs; services performed by surgical
31 assistants not employed by a hospital; allergy testing; eye
refractions and hearing surveys; transportation services
33 (ambulance); private nursing; services performed before the
effective date of coverage and services given after termination
35 of coverage; and any services which are not specifically covered
by the health insurance plan as set forth in regulations
37 promulgated by the commissioner pursuant to section 4 of this
act.

39 "Life insurance plan" means the New Jersey Unemployment

1 Life Insurance Plan established pursuant to section 5 of this act.

2 "Private insurance carrier" means an insurer authorized or
3 licensed to write health or health and accident insurance or life
4 insurance in this State pursuant to Title 17 of the Revised
5 Statutes or Title 17B of the New Jersey Statutes, a health
6 maintenance organization authorized to provide health care
7 services pursuant to P.L.1973, c.337 (C.26:2J-1 et seq.), or a
8 health, hospital or medical service corporation authorized to
9 write hospital service, medical service, or health insurance or
10 provide health care services pursuant to P.L.1938, c.366
11 (C.17:48-1 et seq.), P.L.1940, c.74 (C.17:48A-1 et seq.), or
12 P.L.1985, c.236 (C.17:48E-1 et seq.).

13 "Servicing carrier" means a corporation or other entity,
14 including private insurance carriers, providing only administrative
15 and claims services for the provision of health or life insurance
16 coverage, or both, under this act.

17 "Unemployed individual" means an individual who has filed
18 with the division a valid claim for unemployment benefits, as
19 determined by the division pursuant to R.S.43:21-1 et seq., or, if
20 applicable, a valid claim for extended benefits in accordance with
21 the provisions of the "Extended Benefits Law," P.L.1970, c.324
22 (C.43:21-24.11 et seq.), and any individual electing to purchase
23 continuation coverage under the health insurance plan or the life
24 insurance plan, or both, pursuant to subsection c. of section 4 or
25 subsection c. of section 5 of this act, or both. An unemployed
26 individual may enroll in either the health insurance plan or the
27 life insurance plan, or both, under this act.

28 "Valid claim" means a valid claim for benefits under the
29 provisions of the "unemployment compensation law," R.S.43:21-1
30 et seq., or the "Extended Benefits Law," P.L.1970, c.324
31 (C.43:21-24.11 et seq.).

32 4. (New section) Health insurance plan. a. There shall be
33 established a New Jersey Unemployment Health Insurance Plan to
34 provide health insurance coverage for health services provided to
35 unemployed individuals and their dependents enrolled in the plan
36 in accordance with the provisions of this act and any rules and
37 regulations promulgated pursuant to this act by the
38 commissioner. The department shall administer the health
39 insurance plan on an actuarially sound basis, and shall provide

1 benefits to unemployed individuals through insurance purchased
2 from a private insurance carrier or carriers or made available
3 through a servicing carrier or carriers, selected by the
4 commissioner, in consultation with the commission through a
5 competitive bidding process to provide coverage for health care
6 services to unemployed individuals enrolled in the plan.

7 b. Enrollment in the health insurance plan shall be available to
8 all unemployed individuals, subject to any limitation imposed by
9 federal law or established by this act. An individual shall be
10 deemed eligible for enrollment in the health insurance plan if:

11 (1) The individual completes an application for enrollment in
12 the health insurance plan in a form prescribed by the department
13 at the time the unemployed individual files an initial claim for
14 benefits under the "unemployment compensation law,"
15 R.S.43:21-1 et seq., or the "Extended Benefits Law," P.L.1970,
16 c.324 (C.43:21-24.11 et seq.), if applicable, or at the time when
17 the unemployed individual's previously existing health insurance
18 coverage expires during the unemployed individual's benefit year;

19 (2) The department determines that the individual is eligible to
20 receive unemployment compensation benefits under the
21 "unemployment compensation law," R.S.43:21-1 et seq., including
22 an individual eligible for disability benefits pursuant to subsection
23 (f) of R.S.43:21-4, or the "Extended Benefits Law," P.L.1970,
24 c.324 (C.43:21-24.11 et seq.), if applicable;

25 (3) The department determines that the unemployed individual
26 is not eligible for benefits under the "Temporary Disability
27 Benefits Law," P.L.1948, c.110 (C.43:21-25 et seq.);

28 (4) If the individual had been disqualified from or deemed
29 ineligible for unemployment compensation benefits under the
30 "unemployment compensation law," R.S.43:21-1 et seq., or the
31 "Extended Benefits Law," P.L.1970, c.324 (C.43:21-24.11 et
32 seq.), if extended benefits are in effect, the individual has
33 requalified for benefits as required under the "unemployment
34 compensation law," R.S.43:21-1 et seq., or the "Extended
35 Benefits Law," P.L.1970, c.324 (C.43:21-24.11 et seq.); and

36 (5) The unemployed individual is not covered by health
37 insurance benefits under any other insurance plan or public
38 assistance program.

39 c. Continuation coverage under the health insurance plan shall

1 also be available to an unemployed individual whose eligibility
2 period has expired and who was enrolled in the plan immediately
3 prior to that expiration. The continuation coverage shall be
4 available for one 28 day period or two consecutive 28 day periods
5 following expiration, either of which an unemployed individual
6 may elect to purchase under the health insurance plan. The
7 unemployed individual shall be eligible for continuation coverage
8 if the unemployed individual:

9 (1) Completes an application form for continuation coverage
10 prescribed by the division;

11 (2) Pays to the private insurance carrier or servicing carrier, in
12 accordance with regulations promulgated by the commissioner,
13 the applicable premium for the period of continuation coverage
14 as provided herein; and

15 (3) During the period of continuation coverage, is not covered
16 as an employee for coverage under an employer's health benefits
17 plan, or is not covered by health insurance benefits under any
18 other insurance plan or public assistance program.

19 d. The commissioner shall promulgate, in consultation with the
20 commission and in accordance with the "Administrative
21 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), rules and
22 regulations necessary to establish and maintain the health
23 insurance plan including, but not limited to, regulations or rules
24 establishing within the limits established by this act: the types
25 and limits of coverage and benefits to be provided under the plan;
26 the amount of reserves to be established; the procedures
27 governing claims, adjustments, and legal fees; the requirements
28 for purchasing continuation coverage; and any other procedures
29 or standards as the commissioner may deem necessary to
30 effectuate the purposes of this act. Coverage provided to
31 eligible applicants under the health insurance plan may include
32 provisions governing preexisting physical conditions as approved
33 by the commissioner. Coverage of preexisting conditions for any
34 class or classes of individuals determined by the commissioner to
35 be high risk shall be provided only in accordance with
36 underwriting standards developed by the commissioner, in
37 consultation with the Commissioner of Insurance, and
38 promulgated as regulations by the commissioner. These
39 underwriting standards, which shall be applicable to each class

1 determined to be high risk, shall be developed on an actuarially
2 sound basis, and may include deductibles, copayments, exclusions,
3 and waiting periods consistent with generally accepted
4 underwriting standards for other providers of health insurance
5 coverage.

6 e. The department shall:

7 (1) Perform, at the direction of the commissioner, any task
8 necessary for the commission to fulfill its duties and
9 responsibilities as trustee of the health insurance plan under this
10 act; and

11 (2) Notify the appropriate contracting private insurance carrier
12 or carriers or servicing carrier or carriers of the unemployed
13 individual's eligibility period, and of any changes in the eligibility
14 status of the unemployed individual, caused by benefit year
15 ineligibilities, disqualifications, or a return to employment or by
16 the purchase of continuation coverage.

17 f. Coverage and benefits provided under the health insurance
18 plan shall not be subject to any other State law requiring the
19 provision of coverage under a health insurance or benefits plan or
20 policy.

21 5. (New section) Life insurance plan. a. There shall be
22 established a New Jersey Unemployment Life Insurance Plan, to
23 provide term life insurance for unemployed individuals enrolled in
24 the plan in accordance with the provisions of this act and any
25 rules and regulations promulgated pursuant to this act by the
26 commissioner. The department shall administer the life
27 insurance plan on an actuarially sound basis, and shall provide
28 term life insurance coverage to unemployed individuals as a
29 self-insurer through the fund or through insurance purchased
30 from a private insurance carrier or carriers or made available
31 through a servicing carrier or carriers selected by the
32 commissioner, in consultation with the commission through a
33 competitive bidding process to provide term life insurance
34 coverage to unemployed individuals enrolled in the plan.

35 b. Enrollment in the life insurance plan shall be available to all
36 unemployed individuals subject to any limitation imposed by
37 federal law or established by this act. An individual shall be
38 deemed eligible for enrollment in the life insurance plan if:

39 (1) The applicant completes an application for enrollment in

1 the life insurance plan in a form prescribed by the department at
the time the individual files an initial claim for benefits under
3 the "unemployment compensation law," R.S.43:21-1 et seq., or
the "Extended Benefits Law," P.L.1970, c.324 (C.43:21-24.11 et
5 seq.), if applicable, or at the time the unemployed individual's
previously existing life insurance coverage expires during the
7 unemployed individual's benefit year;

(2) The department determines that the individual is eligible to
9 receive benefits under the "unemployment compensation law,"
R.S.43:21-1 et seq., including an individual eligible for disability
11 benefits pursuant to subsection (f) of R.S.43:21-4 et seq., or the
"Extended Benefits Law," P.L.1970, c.324 (C.43:21-24.11 et seq.);

13 (3) The department determines that the unemployed individual
is not eligible for benefits pursuant to the "Temporary Disability
15 Benefits Law," P.L.1948, c.110 (C.43:21-25 et seq.);

(4) If the individual had been disqualified from or deemed
17 ineligible for benefits under the "unemployment compensation
law," R.S.43:21-1 et seq., or the "Extended Benefits Law,"
19 P.L.1970, c.324 (C.43:21-24.11 et seq.), if applicable, the
individual has requalified for unemployment benefits as required
21 under the "unemployment compensation law," R.S.43:21-1 et
seq., or the "Extended Benefits Law," P.L.1970, c.324
23 (C.43:21-24.11 et seq.); and

(5) The individual is not covered by life insurance benefits
25 under any other insurance plan or public assistance program.

c. Continuation coverage under the life insurance plan shall
27 also be available to an unemployed individual whose eligibility
period has expired and who was enrolled in the plan immediately
29 prior to that expiration. The continuation coverage shall be
available for one 28 day period or two consecutive 28 day periods
31 following expiration, either of which an unemployed individual
may elect to purchase under the life insurance plan. The
33 unemployed individual shall be eligible for continuation coverage,
if the unemployed individual:

35 (1) Completes an application for continuation coverage in a
form prescribed by the division;

37 (2) Pays to the private insurance carrier or servicing carrier or
the department, in accordance with regulations promulgated by
39 the commissioner, the applicable premium for the period of

1 continuation coverage as provided herein; and

3 (3) Is not covered as an employee for coverage under an
5 employer's life insurance benefit plan during the period of
7 continuation coverage, and is not covered by life insurance
9 benefits under any other insurance plan or public assistance
11 program.

13 d. The commissioner shall promulgate, in consultation with the
15 commission and in accordance with the "Administrative
17 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), any rules
19 and regulations necessary to establish and maintain the life
21 insurance plan including, but not limited to, regulations or rules
23 establishing: the limits of coverage to be provided under the plan;
25 the amount of reserves to be established; the procedures
governing claims, adjustments, and legal fees; and such other
procedures or standards as the commissioner may deem necessary
to effectuate the purposes of this act.

17 e. The department shall:

19 (1) Perform, at the direction of the commissioner, any task
21 necessary for the commission to fulfill its duties and
23 responsibilities as trustee of the life insurance plan; and

21 (2) Notify the appropriate contracting private insurance carrier
23 or carriers or servicing carrier or carriers of the unemployed
25 individual's eligibility period, and of any changes in the eligibility
status of the unemployed individual, caused by benefit year
ineligibilities, disqualifications, or a return to employment or by
the purchase of continuation coverage.

27 f. Life insurance provided under the life insurance plan shall
29 be term life insurance limited to \$5,000.00, to be payable to the
named beneficiaries or estate of the unemployed individual
enrolled in the plan upon the death of the unemployed individual
under the conditions set forth in the plan by rules and regulations
promulgated by the commissioner pursuant to this act.

33 6. (New section) Commission. a. There is created a New
35 Jersey Unemployment Health and Life Insurance Commission.
The commission shall consist of 10 members, of whom six shall be
public members appointed by the Governor for a term of four
37 years. Of these public members, two shall be appointed from
persons recommended by labor organizations representing
39 workers in the private sector; one shall be appointed from persons

1 recommended by recognized business and trade organizations; one
2 shall be appointed from persons recommended by recognized
3 associations of local and county government; one shall be
4 appointed from persons recommended by labor organizations
5 representing workers in the public sector; and one shall be
6 appointed from residents of the State to represent the interests
7 of the public, provided that the appointed public member shall
8 not have any relationship or association with a labor organization,
9 a business or trade organization, or an association of county and
10 local government, where that relationship or association would
11 prevent the public member from representing the interests of the
12 public. The State Treasurer, the Commissioner of Insurance, the
13 Commissioner of Health, and the Commissioner of Labor, or their
14 designees, shall serve as ex officio members. The Commissioner
15 of Labor shall serve as the chairman of the commission. Of the
16 public members first appointed by the Governor, two shall serve
17 for a term of two years, two shall serve for a term of three years
18 and two shall serve for a term of four years. All vacancies shall
19 be filled for the balance of the unexpired term in the same
20 manner as the original appointments. Members of the
21 commission shall serve without compensation, but the commission
22 may, within the limits of the funds available to it, reimburse its
23 members for necessary expenses incurred in the discharge of
24 their official duties.

25 The Governor shall appoint the public members within 30 days
26 of enactment of this act and the first meeting of the commission
27 shall be convened within 60 days of enactment of this act.

b. The commission shall:

29 (1) Act as trustee of the health insurance plan, the life
30 insurance plan, and the fund and ensure that each plan is
31 conducted on an actuarially sound basis;

32 (2) Conduct annually a review of the management and
33 operations of the health insurance plan and the life insurance plan
34 and an audit of the fund;

35 (3) Prepare an annual report to the Governor and the
36 Legislature which lists in detail the findings of the commission
37 concerning the operations and management of each plan and
38 which describes any recommendations for legislation which the
39 commission deems necessary to ensure the provision of adequate

1 health and life insurance coverage to unemployed individuals and
to protect the solvency of the fund; and

3 (4) Consult with the commissioner concerning the selection of a
private insurance carrier or carriers or a servicing carrier or
5 carriers to provide health insurance coverage, life insurance
coverage, or both under this act.

7 7. (New section) Authority to Promulgate Regulations. In
addition to the rules and regulations adopted pursuant to
9 subsection d. of section 4 and subsection d. of section 5 of this
act, the commissioner shall adopt, in accordance with the
11 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
seq.) and in consultation with the commission, rules and
13 regulations necessary to effectuate the purposes of this act
including, but not limited to:

15 a. The establishment of additional eligibility requirements for
health and life insurance under the plans;

17 b. The methods by which the division shall notify the private
insurance carrier or carriers or servicing carrier or carriers of
19 the eligibility periods of unemployed individuals under the health
insurance plan, the life insurance plan, or both; and

21 c. Rules and procedures for the recovery of fraudulent and
nonfraudulent overpayments of benefits under the health
23 insurance plan, the life insurance plan, or both.

8. (New section) Trust fund. a. There is created a fund,
25 which shall be known and may be cited as the New Jersey
Unemployment Health and Life Insurance Trust Fund. The fund
27 shall be administered by the State Treasurer, in consultation with
the commission. All moneys appropriated to or deposited in the
29 fund, all interest accumulated on moneys in the fund, and all
moneys received for the fund from any other source shall be used
31 solely to: provide benefits under the health and life insurance
plans established by this act; reimburse the department for costs
33 arising from the administration of the health and life insurance
plans established by this act; pay the private insurance carrier or
35 carriers or servicing carrier or carriers contracting with the
department to provide insurance coverage under this act;
37 reimburse employees for excess contributions to the fund; and
repay the loan from the State disability benefits fund as provided
39 in section 14 of this act.

1 b. On March 1, 1990 and every six months thereafter, the
2 commissioner shall make a formal determination as to whether or
3 not the fund's reserves are adequate to provide coverage under
4 the health and life insurance plans to unemployed individuals
5 covered by this act during the 12-month period commencing
6 three months prior to the date of the commissioner's
7 determination. The determination shall be based upon the actual
8 reserves of the fund, the projected revenue of the fund, and the
9 projected expenses of the fund, including the actual costs of
10 providing coverage under the health and life insurance plans and
11 all administrative costs payable from the fund, during the
12 12-month period commencing three months prior to the
13 commissioner's determination. The commissioner shall
14 immediately inform the Governor, the President of the Senate,
15 the Speaker of the General Assembly, the Senate Revenue,
16 Finance and Appropriations Committee and the Assembly
17 Appropriations Committee, or their successors, of his
18 determination. If the commissioner determines that the fund's
19 reserves are not adequate to meet the projected expenses of the
20 fund during the 12-month period commencing three months prior
21 to the date of the commissioner's determination, the
22 commissioner, in consultation with the commission, shall:

23 (1) Provide through an administrative order for an orderly
24 reduction or suspension of coverage under the health and life
25 insurance plans until the reserves in the fund are sufficient to
26 provide coverage for a period of 12 consecutive months; or

27 (2) Request the State Treasurer to review, and the Governor to
28 approve, an increase in the employee contributions to the fund
29 required pursuant to subsection c. of this section pursuant to the
30 procedures set forth in subsection f. of this section; or

31 (3) Proceed under both paragraphs (1) and (2) of this subsection.

32 The commissioner, as part of a formal determination, shall
33 include an explanation of the commission's recommendations and
34 his determination to implement an administrative order or
35 request an increase in contributions or both, as the case may be.

36 c. Beginning the first day after enactment of this act, each
37 worker shall contribute to the unemployment health and life
38 insurance fund 0.125% of the worker's wages as determined in
39 accordance with paragraph 3 of subsection b. of R.S.43:21-7

1 regarding the worker's employment with an employer.

2 d. Notwithstanding the provisions of any law to the contrary,
3 each employer shall: withhold in trust the amount of all workers'
4 contributions from their wages at the time wages are paid, show
5 the deduction on the payroll records, furnish the evidence thereof
6 to the workers as the controller may prescribe, and transmit all
7 contributions to the office of the controller in a manner and at
8 the times that may be prescribed therefor. If any employer fails
9 to deduct the contributions of any workers at the time their
10 wages are paid, or fails to make a deduction therefor at the time
11 wages are paid for the next succeeding payroll period, the
12 employer solely shall be liable for those contributions thereafter.

13 e. If an employee receives wages from more than one
14 employer during any calendar year, and the sum of the
15 employee's contributions deposited in the New Jersey
16 Unemployment Health and Life Insurance Trust Fund exceeds an
17 amount equal to 0.125% of the wages determined in accordance
18 with the provisions of paragraph 3 of subsection b. of R.S.43:21-7
19 during the calendar year beginning January 1, 1989 or any
20 calendar year thereafter, the employee shall be entitled to a
21 refund of the excess if a claim establishing the employee's right
22 to the refund is made to the controller within two years after the
23 end of the respective calendar year in which the wages are
24 received and which are the subject of the claim. The controller
25 shall refund any overpayment from the New Jersey
26 Unemployment Health and Life Insurance Trust Fund without
27 interest.

28 f. Upon review of the State Treasurer and approval of the
29 Governor, the commissioner may increase the contributions
30 required pursuant to subsection c. of this section by an amount
31 not exceeding an additional 0.125% of the worker's wages. The
32 commissioner shall simultaneously reduce the contributions
33 required pursuant to subparagraph (C) of paragraph (1) of
34 subsection (d) of R.S.43:21-7 and subsection h. of section 4 of
35 P.L.1971, c.346 (C.43:21-7.3) by the same amount of the
36 contributions in subsection c. In the commissioner's request to
37 the State Treasurer and the Governor to increase employee
38 contributions, the commissioner shall provide information
39 concerning the amount of the increase and decrease in the

1 respective contributions, the effect of the increase and decrease
2 on the solvency of the respective funds, the effect of the loan
3 payment deferral provided for section 14 of this act on the
4 solvency of the respective funds and the length of time the
5 increase and decrease will be in effect. Upon approval of the
6 Governor, the commissioner shall notify the President of the
7 Senate, the Speaker of the General Assembly, the Senate
8 Revenue, Finance and Appropriations Committee, and the
9 Assembly Appropriations Committee, or their successors, of the
10 actions to be implemented. The respective increase and decrease
11 shall be in effect for the time period approved by the Governor.

12 9. (New section) Nonliability of state. Benefits shall be
13 deemed to be due and payable under this act only to the extent
14 provided in this act and to the extent that moneys are available
15 therefor to the credit of the fund, and neither the State, the
16 commission, nor any representative thereof shall be liable for any
17 amount in excess of those sums.

18 10. (New section) Claims. Claims for coverage, benefits, and
19 appeals of denials thereof under the health and life insurance plan
20 shall be made in accordance with regulations promulgated by the
21 commissioner.

22 11. (New section) Penalties. a. A person who makes a false
23 statement or representation knowing it to be false or knowingly
24 fails to disclose a material fact, to obtain or increase any benefit
25 under the health insurance plan or life insurance plan, either for
26 himself or for any other person, shall be liable to a fine of
27 \$200.00 to be paid to the department for deposit in the fund.
28 Each such false statement or representation or failure to disclose
29 a material fact shall constitute a separate offense. Upon refusal
30 to pay any fine, it shall be recoverable in a civil action by the
31 department in the name of the State of New Jersey. If liability
32 for the payment of a fine as aforesaid shall be determined, any
33 person who shall have received any benefits under the health
34 insurance plan or the life insurance plan by reason of the making
35 of the false statements or representations or failure to disclose a
36 material fact, shall pay to the department for deposit in the fund
37 an amount equal to the sum of any benefits received from the
38 department for life insurance or premiums paid by the
39 department for health insurance on behalf of the claimant, and

1 the person shall not be entitled to any benefits under this act
until that person pays the fine, and reimburses the department.

3 b. Any employer or any officer or agent of any employer or
any other person who makes a false statement or representation
5 knowing it to be false or knowingly fails to disclose a material
fact, to prevent or reduce the benefits to any person entitled
7 thereto, or to avoid becoming or remaining subject to this act or
to avoid or reduce any contribution or other payment required
9 from an employee under this act, or who willfully fails or refuses
to withhold or transfer any contribution or other payment or to
11 furnish any report or information or to produce or permit the
inspection or copying of records as required under this act, shall
13 be liable to a fine of \$200.00 to be paid to the department for
deposit in the fund. Upon refusal to pay such fine, the same shall
15 be recovered in a civil action by the department in the name of
the State of New Jersey.

17 c. Any person who shall willfully violate any provision hereof
or any rule or regulation promulgated pursuant to this act, for
19 which a fine is neither prescribed herein nor provided by any
other applicable law, shall be liable to a fine of \$50.00 to be paid
21 to the department for deposit in the fund. Upon the refusal to
pay the fine, it shall be recovered in a civil action by the
23 department in the name of the State of New Jersey.

d. Any person, employing unit, employer or entity violating
25 any provision of subsections a., b., or c. of this section with
intent to defraud the division shall, in addition to the penalties
27 hereinbefore described, be liable for each offense upon conviction
before any court of competent jurisdiction, to a fine not to
29 exceed \$250.00 or by imprisonment for a term not to exceed 90
days, or both, at the discretion of the court. The fine upon
31 conviction shall be payable to the department for deposit in the
fund. Any penalties imposed by this subsection shall be in
33 addition to those otherwise prescribed by the "unemployment
compensation law," R.S.43:21-1 et seq.

35 12. R.S.43:21-7 is amended to read as follows:

R.S.43:21-7. Contributions. Employers other than
37 governmental entities, whose benefit financing provisions are set
forth in section 4 of P.L.1971, c.346 (C.43:21-7.3), and those
39 nonprofit organizations liable for payment in lieu of contributions

1 on the basis set forth in section 3 of P.L.1971, c.346
(C.43:21-7.2), shall pay to the controller for the Unemployment
3 Compensation Fund, contributions as set forth in subsections (a),
(b) and (c) hereof, and the provisions of subsections (d) and (e)
5 shall be applicable to all employers, consistent with the
provisions of the [Unemployment Compensation Law]
7 "unemployment compensation law" and the "Temporary
Disability Benefits Law."

9 (a) Payment.

(1) Contributions shall accrue and become payable by each
11 employer for each calendar year in which he is subject to this
chapter (R.S.43:21-1 et seq.), with respect to having individuals
13 in his employ during such calendar year, at the rates and on the
basis hereinafter set forth. Such contributions shall become due
15 and be paid by each employer to the controller for the fund, in
accordance with such regulations as may be prescribed, and shall
17 not be deducted, in whole or in part, from the remuneration of
individuals in his employ.

19 (2) In the payment of any contributions, a fractional part of a
cent shall be disregarded unless it amounts to \$0.005 or more, in
21 which case it shall be increased to \$0.01.

(b) Rate of contributions. Each employer shall pay the
23 following contributions:

(1) For the calendar year 1947, and each calendar year
25 thereafter, 2 7/10% of wages paid by him during each such
calendar year, except as otherwise prescribed by subsection (c) of
27 this section.

(2) The "wages" of any individual, with respect to any one
29 employer, as the term is used in this subsection (b) and in
subsections (c), (d) and (e) of this section 7, shall include the first
31 \$4,800.00 paid during calendar year 1975, for services performed
either within or without this State; provided that no contribution
33 shall be required by this State with respect to services performed
in another state if such other state imposes contribution liability
35 with respect thereto. If an employer (hereinafter referred to as a
successor employer) during any calendar year acquires
37 substantially all the property used in a trade or business of
another employer (hereinafter referred to as a predecessor), or
39 used in a separate unit of a trade or business of a predecessor,

1 and immediately after the acquisition employs in his trade or
business an individual who immediately prior to the acquisition
3 was employed in the trade or business of such predecessor, then,
for the purpose of determining whether the successor employer
5 has paid wages with respect to employment equal to the first
\$4,800.00 paid during calendar year 1975, any wages paid to such
7 individual by such predecessor during such calendar year and prior
to such acquisition shall be considered as having been paid by
9 such successor employer.

(3) For calendar years beginning on and after January 1, 1976,
11 the "wages" of any individual, as defined in the preceding
paragraph (2) of this subsection (b), shall be established and
13 promulgated by the Commissioner of Labor on or before
September 1 of the preceding year and shall be 28 times the
15 Statewide average weekly remuneration paid to workers by
employers, as determined under R.S.43:21-3(c)(3), raised to the
17 next higher multiple of \$100.00 if not already a multiple thereof,
provided that if the amount of wages so determined for a
19 calendar year is less than the amount similarly determined for
the preceding year, the greater amount will be used; provided,
21 further, that if the amount of such wages so determined does not
equal or exceed the amount of wages as defined in subsection (b)
23 of section 3306 of the "Federal Unemployment Tax Act," chapter
23 of the Internal Revenue Code of [1954] 1986 (26 U.S.C. §3306),
25 the wages as determined in this paragraph in any calendar year
shall be raised to equal the amount established under the Federal
27 Unemployment Tax Act for that calendar year.

(c) Future rates based on benefit experience.

29 (1) A separate account for each employer shall be maintained
and this shall be credited with all the contributions which he has
31 paid on his own behalf on or before January 31 of any calendar
year with respect to employment occurring in the preceding
33 calendar year; provided, however, that if January 31 of any
calendar year falls on a Saturday or Sunday, an employer's
35 account shall be credited as of January 31 of such calendar year
with all the contributions which he has paid on or before the next
37 succeeding day which is not a Saturday or Sunday. But nothing in
this chapter (R.S.43:21-1 et seq.) shall be construed to grant any
39 employer or individuals in his service prior claims or rights to the

1 amounts paid by him into the fund either on his own behalf or on
2 behalf of such individuals. Benefits paid with respect to benefit
3 years commencing on and after January 1, 1953, to any individual
4 on or before December 31 of any calendar year with respect to
5 unemployment in such calendar year and in preceding calendar
6 years shall be charged against the account or accounts of the
7 employer or employers in whose employment such individual
8 established base weeks constituting the basis of such benefits.
9 Benefits paid under a given benefit determination shall be
10 charged against the account of the employer to whom such
11 determination relates. When each benefit payment is made,
12 either a copy of the benefit check or other form of notification
13 shall be promptly sent to the employer against whose account the
14 benefits are to be charged. Such copy or notification shall
15 identify the employer against whose account the amount of such
16 payment is being charged, shall show at least the name and social
17 security account number of the claimant and shall specify the
18 period of unemployment to which said check applies. If the total
19 amount of benefits paid to a claimant and charged to the account
20 of the appropriate employer exceeds 50% of the total base year,
21 base week wages paid to the claimant by that employer, then
22 such employer shall have canceled from his account such excess
23 benefit charges as specified above.

Each employer shall be furnished an annual summary statement
24 of benefits charged to his account.

(2) Regulations may be prescribed for the establishment,
25 maintenance, and dissolution of joint accounts by two or more
26 employers, and shall, in accordance with such regulations and
27 upon application by two or more employers to establish such an
28 account, or to merge their several individual accounts in a joint
29 account, maintain such joint account as if it constituted a single
30 employer's account.

(3) No employer's rate shall be lower than 5.4% unless
31 assignment of such lower rate is consistent with the conditions
32 applicable to additional credit allowance for such year under
33 section 3303(a)(1) of the Internal Revenue Code (26 U.S.C.
34 §3303(a)(1)), any other provision of this section to the contrary
35 notwithstanding.

(4) Employer Reserve Ratio. (A) Each employer's rate shall be
36

1 2 8/10%, except as otherwise provided in the following provisions.
No employer's rate for the 12 months commencing July 1 of any
3 calendar year shall be other than 2 8/10%, unless as of the
preceding January 31 such employer shall have paid contributions
5 with respect to wages paid in each of the three calendar years
immediately preceding such year, in which case such employer's
7 rate for the 12 months commencing July 1 of any calendar year
shall be determined on the basis of his record up to the beginning
9 of such calendar year. If, at the beginning of such calendar year,
the total of all his contributions, paid on his own behalf, for all
11 past years exceeds the total benefits charged to his account for
all such years, his contribution rate shall be:

13 (1) 2 5/10%, if such excess equals or exceeds 4%, but less than
5%, of his average annual payroll (as defined in paragraph (2),
15 subsection (a) of [section] R.S. 43:21-19 [of this Title];

(2) 2 2/10%, if such excess equals or exceeds 5%, but is less
17 than 6%, of his average annual payroll;

(3) 1 9/10%, if such excess equals or exceeds 6%, but is less
19 than 7%, of his average annual payroll;

(4) 1 6/10%, if such excess equals or exceeds 7%, but is less
21 than 8%, of his average annual payroll;

(5) 1 3/10%, if such excess equals or exceeds 8%, but is less
23 than 9%, of his average annual payroll;

(6) 1%, if such excess equals or exceeds 9%, but is less than
25 10%, of his average annual payroll;

(7) 7/10 of 1%, if such excess equals or exceeds 10%, but is less
27 than 11%, of his average annual payroll;

(8) 4/10 of 1%, if such excess equals or exceeds 11% of his
29 average annual payroll.

(B) If the total of an employer's contributions, paid on his own
31 behalf, for all past periods for the purposes of this paragraph (4),
is less than the total benefits charged against his account during
33 the same period, his rate shall be:

(1) 4%, if such excess is less than 10% of his average annual
35 payroll;

(2) 4 3/10%, if such excess equals or exceeds 10%, but is less
37 than 20%, of his average annual payroll;

(3) 4 6/10%, if such excess equals or exceeds 20% of his
39 average annual payroll.

1 (C) Specially assigned rates. If no contributions were paid on
wages for employment in any calendar year used in determining
3 the average annual payroll of an employer eligible for an assigned
rate under this paragraph (4), the employer's rate shall be
5 specially assigned as follows: (i) if the reserve balance in its
account is positive, its assigned rate shall be the highest rate in
7 effect for positive balance accounts for that period, or 5.4%,
whichever is higher, and (ii) if the reserve balance in its account
9 is negative, its assigned rate shall be the highest rate in effect
for deficit accounts for that period.

11 (D) The contribution rates prescribed by subparagraphs (A) and
(B) of this paragraph (4) shall be increased or decreased in
13 accordance with the provisions of paragraph (5) of this subsection
(c) for experience rating periods through June 30, 1986.

15 (5) (A) Unemployment Trust Fund Reserve Ratio. If on March
31 of any calendar year the balance in the unemployment trust
17 fund equals or exceeds 4% but is less than 7% of the total taxable
wages reported to the controller as of that date in respect to
19 employment during the preceding calendar year, the contribution
rate, effective July 1 following, of each employer eligible for a
21 contribution rate calculation based upon benefit experience, shall
be increased by 3/10 of 1% over the contribution rate otherwise
23 established under the provisions of paragraph (3) or (4) of this
subsection. If on March 31 of any calendar year the balance of
25 the unemployment trust fund exceeds 2½% but is less than 4% of
the total taxable wages reported to the controller as of that date
27 in respect to employment during the preceding calendar year, the
contribution rate, effective July 1 following, of each employer
29 eligible for a contribution rate calculation based upon benefit
experience, shall be increased by 6/10 of 1% over the
31 contribution rate otherwise established under the provisions of
paragraph (3) or (4) of this subsection.

33 If on March 31 of any calendar year the balance of the
unemployment trust fund is less than 2½% of the total taxable
35 wages reported to the controller as of that date in respect to
employment during the preceding calendar year, the contribution
37 rate, effective July 1 following, of each employer (1) eligible for
a contribution rate calculation based upon benefit experience,
39 shall be increased by (i) 6/10 of 1% over the contribution rate

1 otherwise established under the provisions of paragraph (3), (4)(A)
2 or (4)(B) of this subsection, and (ii) an additional amount equal to
3 20% of the total rate established herein, provided, however, that
4 the final contribution rate for each employer shall be computed
5 to the nearest multiple of 1/10% if not already a multiple
6 thereof; (2) not eligible for a contribution rate calculation based
7 upon benefit experience, shall be increased by 6/10 of 1% over
8 the contribution rate otherwise established under the provisions
9 of paragraph (4) of this subsection. For the period commencing
10 July 1, 1984 and ending June 30, 1986, the contribution rate for
11 each employer liable to pay contributions under R.S.43:21-7 shall
12 be increased by a factor of 10% computed to the nearest multiple
13 of 1/10 % if not already a multiple thereof.

14 (B) If on March 31 of any calendar year the balance in the
15 unemployment trust fund equals or exceeds 10% but is less than
16 12 ½% of the total taxable wages reported to the controller as of
17 that date in respect to employment during the preceding calendar
18 year, the contribution rate, effective July 1 following, of each
19 employer eligible for a contribution rate calculation based upon
20 benefit experience, shall be reduced by 3/10 of 1% under the
21 contribution rate otherwise established under the provisions of
22 paragraphs (3) and (4) of this subsection; provided that in no event
23 shall the contribution rate of any employer be reduced to less
24 than 4/10 of 1%. If on March 31 of any calendar year the balance
25 in the unemployment trust fund equals or exceeds 12½% of the
26 total taxable wages reported to the controller as of that date in
27 respect to employment during the preceding calendar year, the
28 contribution rate, effective July 1 following, of each employer
29 eligible for a contribution rate calculation based upon benefit
30 experience, shall be reduced by 6/10 of 1% if his account for all
31 past periods reflects an excess of contributions paid over total
32 benefits charged of 3% or more of his average annual payroll,
33 otherwise by 3/10 of 1% under the contribution rate otherwise
34 established under the provisions of paragraphs (3) and (4) of this
35 subsection; provided that in no event shall the contribution rate
36 of any employer be reduced to less than 4/10 of 1%.

37 (C) The "balance" in the unemployment trust fund, as the term
38 is used in subparagraphs (A) and (B) above, shall not include
39 moneys credited to the State's account under section 903 of the

1 Social Security Act, as amended ([Title] 42[, U.S. Code,]C.
 2 §1103), during any period in which such moneys are appropriated
 3 for the payment of expenses incurred in the administration of
 4 [Unemployment Compensation Law] "unemployment
 5 compensation law."

(D) Prior to July 1 of each calendar year the controller shall
 7 determine the Unemployment Trust Reserve Ratio, which shall be
 8 calculated by dividing the balance of the unemployment trust
 9 fund as of the prior March 31 by total taxable wages reported to
 10 the controller by all employers as of March 31 with respect to
 11 their employment during the last calendar year.

(E) With respect to experience rating years beginning on or
 13 after July 1, 1986, the new employer rate or the unemployment
 14 experience rate of an employer under this section shall be the
 15 rate which appears in the column headed by the Unemployment
 16 Trust Fund Reserve Ratio as of the applicable calculation date
 17 and on the line with the Employer Reserve Ratio, as defined in
 18 paragraph 4 of this subsection (R.S.43:21-7 (c)(4)), as set forth in
 19 the following table:

21 EXPERIENCE RATING TAX TABLE
 22 FUND RESERVE RATIO¹

23	Employer	10.00%	7.00%	4.00%	2.50%	2.49%
25	Reserve	and	to	to	to	and
27	Ratio ²	Over	9.99%	6.99%	3.99%	Under
		A	B	C	D	E
29	Positive Reserve Ratio:					
	17% and over	0.3	0.4	0.5	0.6	1.2
	16.00% to 16.99%	0.4	0.5	0.6	0.6	1.2
31	15.00% to 15.99%	0.4	0.6	0.7	0.7	1.2
	14.00% to 14.99%	0.5	0.6	0.7	0.8	1.2
33	13.00% to 13.99%	0.6	0.7	0.8	0.9	1.2
	12.00% to 12.99%	0.6	0.8	0.9	1.0	1.2
35	11.00% to 11.99%	0.7	0.8	1.0	1.1	1.2
	10.00% to 10.99%	0.9	1.1	1.3	1.5	1.6
37	9.00% to 9.99%	1.0	1.3	1.6	1.7	1.9
	8.00% to 8.99%	1.3	1.6	1.9	2.1	2.3
39	7.00% to 7.99%	1.4	1.8	2.2	2.4	2.6
	6.00% to 6.99%	1.7	2.1	2.5	2.8	3.0
41	5.00% to 5.99%	1.9	2.4	2.8	3.1	3.4
	4.00% to 4.99%	2.0	2.6	3.1	3.4	3.7
43	3.00% to 3.99%	2.1	2.7	3.2	3.6	3.9
	2.00% to 2.99%	2.2	2.8	3.3	3.7	4.0
45	1.00% to 1.99%	2.3	2.9	3.4	3.8	4.1
	0.00% to 0.99%	2.4	3.0	3.6	4.0	4.3

1	Deficit Reserve Ratio:					
	-0.00% to -2.99%	3.4	4.3	5.1	5.6	6.1
3	-3.00% to -5.99%	3.4	4.3	5.1	5.7	6.2
	-6.00% to -8.99%	3.5	4.4	5.2	5.8	6.3
5	-9.00% to -11.99%	3.5	4.5	5.3	5.9	6.4
	-12.00% to -14.99%	3.6	4.6	5.4	6.0	6.5
7	-15.00% to -19.99%	3.6	4.6	5.5	6.1	6.6
	-20.00% to -24.99%	3.7	4.7	5.6	6.2	6.7
9	-25.00% to -29.99%	3.7	4.8	5.6	6.3	6.8
	-30.00% to -34.99%	3.8	4.8	5.7	6.3	6.9
11	-35% and under	5.4	5.4	5.8	6.4	7.0
13	New Employer Rate	2.8	2.8	2.8	3.1	3.4

13 ¹Fund balance as of March 31 as a percentage of taxable
15 wages in the prior calendar year.

17 ²Employer Reserve Ratio (Contributions minus benefits
17 as a percentage of employer's taxable wages).

19 (F) With respect to experience rating years beginning on or
21 after July 1, 1986, if the balance of the unemployment trust fund
21 as of the prior March 31 is negative, the contribution rate for
21 each employer liable to pay contributions, as computed under
23 subparagraph E of this paragraph (5), shall be increased by a
23 factor of 10% computed to the nearest multiple of 1/10 % if not
23 already a multiple thereof.

25 (6) Additional contributions.

27 Notwithstanding any other provision of law, any employer who
27 has been assigned a contribution rate pursuant to subsection (c) of
29 this section for the year commencing July 1, 1948, and for any
29 year commencing July 1 thereafter, may voluntarily make
31 payment of additional contributions, and upon such payment shall
31 receive a recomputation of the experience rate applicable to such
33 employer, including in the calculation the additional contribution
33 so made. Any such additional contribution shall be made during
35 the 30-day period following the date of the mailing to the
35 employer of the notice of his contribution rate as prescribed in
37 this section, unless, for good cause, the time for payment has
37 been extended by the controller for not to exceed an additional
39 60 days; provided that in no event may such payments which are
39 made later than 120 days after the beginning of the year for
41 which such rates are effective be considered in determining the
41 experience rate for the year in which the payment is made. Any
43 employer receiving any extended period of time within which to
43 make such additional payment and failing to make such payment

1 timely shall pay, in addition to the required amount of additional
2 payment, a penalty of 5% thereof or \$5.00, whichever is greater,
3 not to exceed \$50.00. Any adjustment under this subsection shall
4 be made only in the form of credits against accrued or future
5 contributions.

(7) Transfers.

7 (A) Upon the transfer of the organization, trade or business, or
8 substantially all the assets of an employer to a successor in
9 interest, whether by merger, consolidation, sale, transfer,
10 descent or otherwise, the controller shall transfer the
11 employment experience of the predecessor employer to the
12 successor in interest, including credit for past years,
13 contributions paid, annual payrolls, benefit charges, et cetera,
14 applicable to such predecessor employer, pursuant to regulation,
15 if it is determined that the employment experience of the
16 predecessor employer with respect to the organization, trade,
17 assets or business which has been transferred may be considered
18 indicative of the future employment experience of the successor
19 in interest. Unless the predecessor employer was owned or
20 controlled (by legally enforceable means or otherwise), directly
21 or indirectly, by the successor in interest, or the predecessor
22 employer and the successor in interest were owned or controlled
23 (by legally enforceable means or otherwise), directly or
24 indirectly, by the same interest or interests, the transfer of the
25 employment experience of the predecessor shall not be effective
26 if such successor in interest, within four months of the date of
27 such transfer of the organization, trade, assets or business, or
28 thereafter upon good cause shown, files a written notice
29 protesting the transfer of the employment experience of the
30 predecessor employer.

31 (B) An employer who transfers part of his or its organization,
32 trade, assets or business to a successor in interest, whether by
33 merger, consolidation, sale, transfer, descent or otherwise, may
34 jointly make application with such successor in interest for
35 transfer of that portion of the employment experience of the
36 predecessor employer relating to the portion of the organization,
37 trade, assets or business transferred to the successor in interest,
38 including credit for past years, contributions paid, annual
39 payrolls, benefit charges, et cetera, applicable to such

1 predecessor employer. The transfer of employment experience
2 may be allowed pursuant to regulation only if it is found that the
3 employment experience of the predecessor employer with respect
4 to the portion of the organization, trade, assets or business which
5 has been transferred may be considered indicative of the future
6 employment experience of the successor in interest. Credit shall
7 be given to the successor in interest only for the years during
8 which contributions were paid by the predecessor employer with
9 respect to that part of the organization, trade, assets or business
10 transferred.

11 (C) A transfer of the employment experience in whole or in
12 part having become final, the predecessor employer thereafter
13 shall not be entitled to consideration for an adjusted rate based
14 upon his or its experience or the part thereof, as the case may be,
15 which has thus been transferred. A successor in interest to whom
16 employment experience or a part thereof is transferred pursuant
17 to this subsection shall, as of the date of the transfer of the
18 organization, trade, assets or business, or part thereof,
19 immediately become an employer if not theretofore an employer
20 subject to this chapter (R.S.43:21-1 et seq.).

21 (d) Contributions of workers, transfers to temporary disability
22 benefit fund.

23 (1)(A) For periods after January 1, 1975, each worker shall
24 contribute to the fund 1% of his wages with respect to his
25 employment with an employer, which occurs on and after January
26 1, 1975, after such employer has satisfied the condition set forth
27 in subsection (h) of [section] R.S.43:21-19 [of this Title] with
28 respect to becoming an employer; provided, however, that such
29 contributions shall be at the rate of $\frac{1}{2}$ of 1% of wages paid with
30 respect to employment while the worker is in the employ of the
31 State of New Jersey, or any governmental entity or
32 instrumentality which is an employer as defined under
33 R.S.43:21-19(h)(5), or is covered by an approved private plan
34 under the "Temporary Disability Benefits Law," or while the
35 worker is exempt from the provisions of the "Temporary
36 Disability Benefits Law," under section 7 of that law (C.43:21-31).

37 (B) Effective January 1, 1978 there shall be no contributions
38 by workers in the employ of any governmental or
39 nongovernmental employer electing or required to make

1 payments in lieu of contributions unless the employer is covered
2 by the State plan under the "Temporary Disability Benefits Law,"
3 (C.43:21-37 et seq.), and in that case contributions shall be at the
4 rate of $\frac{1}{2}$ of 1%, except that commencing July 1, 1986, workers
5 in the employ of any nongovernmental employer electing or
6 required to make payments in lieu of contributions shall be
7 required to make contributions to the fund at the same rate
8 prescribed for workers of other nongovernmental employers.

9 (C) Notwithstanding the above provisions of this paragraph (1),
10 on or after July 1, 1986 and ending on the day of enactment of
11 P.L., c. (C.)(now pending before the Legislature as
12 this bill), each worker shall contribute to the fund 1.125% of
13 wages paid with respect to his employment with a governmental
14 employer electing or required to pay contributions or
15 nongovernmental employer, including a nonprofit organization
16 which is an employer as defined under R.S.43:21-19(h)(6),
17 regardless of whether that nonprofit organization elects or is
18 required to finance its benefit costs with contributions to the
19 fund or by payments in lieu of contributions, after that employer
20 has satisfied the conditions set forth in subsection
21 R.S.43:21-19(h) [of this Title] with respect to becoming an
22 employer. Contributions, however, shall be at the rate of 0.625%
23 while the worker is covered by an approved private plan under the
24 "Temporary Disability Benefits Law," or while the worker is
25 exempt under section 7 of that law (C.43:21-31) or any other
26 provision of that law; provided that such contributions shall be at
27 the rate of 0.625% of wages paid with respect to employment
28 with the State of New Jersey or any other governmental entity or
29 instrumentality electing or required to make payments in lieu of
30 contributions and which is covered by the State plan under the
31 "Temporary Disability Benefits Law," except that, while the
32 worker is exempt from the provisions of the "Temporary
33 Disability Benefits Law," under section 7 of that law (C.43:21-31)
34 or any other provision of that law, or is covered for disability
35 benefits by an approved private plan of the employer, the
36 contributions to the fund shall be 0.125%.

37 Notwithstanding the provisions of this paragraph (1) and in
38 addition to the contributions made pursuant to section 8 of P.L.
39, c. (C.) now pending before the Legislature as this

1 bill), on and after the first day after enactment of that act, each
2 worker shall contribute to the unemployment compensation fund
3 1.0% of wages paid with respect to the worker's employment
4 with a governmental employer electing or required to pay
5 contributions or nongovernmental employer, including a nonprofit
6 organization which is an employer as defined under paragraph 6
7 of subsection h. of R.S.43:21-19, regardless of whether that
8 nonprofit organization elects or is required to finance its benefit
9 costs with contributions to the fund or by payments in lieu of
10 contributions, after that employer has satisfied the conditions set
11 forth in subsection h. of R.S.43:21-19 with respect to becoming
12 an employer. Contributions, however, shall be at the rate of
13 0.50% while the worker is covered by an approved private plan
14 under the "Temporary Disability Benefits Law," P.L.1948, c.110
15 (C.43:21-25 et seq.) or while the worker is exempt under section
16 7 of P.L.1948, c.100 (C.43:21-31) or any other provision of that
17 law; provided that the contributions shall be at the rate of 0.50%
18 of wages paid with respect to employment with the State of New
19 Jersey or any other governmental entity or instrumentality
20 electing or required to make payments in lieu of contributions
21 and which is covered by the State plan under the "Temporary
22 Disability Benefits Law."

23 (D) Each employer shall, notwithstanding any provision of law
24 in this State to the contrary, withhold in trust the amount of his
25 workers' contributions from their wages at the time such wages
26 are paid, shall show such deduction on his payroll records, shall
27 furnish such evidence thereof to his workers as the division or
28 controller may prescribe, and shall transmit all such
29 contributions, in addition to his own contributions, to the office
30 of the controller in such manner and at such times as may be
31 prescribed. If any employer fails to deduct the contributions of
32 any of his workers at the time their wages are paid, or fails to
33 make a deduction therefor at the time wages are paid for the
34 next succeeding payroll period, he alone shall thereafter be liable
35 for such contributions, and for the purpose of [section]
36 R.S.43:21-14 [of this Title], such contributions shall be treated as
37 employer's contributions required from him.

38 (E) As used in this chapter (R.S.43:21-1 et seq.), except when
39 the context clearly requires otherwise, the term "contributions"

1 shall include the contributions of workers pursuant to this section.

(2) (A) (Deleted by amendment, P.L.1984, c.24.)

3 (B) (Deleted by amendment, P.L.1984, c.24.)

(C) With respect to wages paid on and after January 1, 1975,
5 there shall be deposited in and credited to the State Disability
Benefits Fund, as established by law, one-half of all worker
7 contributions received by the controller upon which the rate of
contributions is 1%.

9 (D) All worker contributions received by the controller from
all employers electing or required to make payments in lieu of
11 contributions, upon which the rate of contribution is $\frac{1}{2}$ of 1%,
except the State of New Jersey or any other governmental entity
13 or instrumentality defined as an employer under
R.S.43:21-19(h)(5), unless the State of New Jersey or such other
15 governmental entity or instrumentality is a "covered employer,"
as defined in R.S.43:21-27.

17 (E)(i) Notwithstanding the above with respect to wages on or
after July 1, 1986, there shall be deposited in and credited to the
19 State Disability Benefits Fund $\frac{4}{9}$ of all worker contributions
received by the controller upon which the rate of contribution is
21 1.125% and $\frac{4}{5}$ of the contributions received by the controller
upon which the rate of contribution is 0.625% of wages paid with
23 respect to employment with the State of New Jersey or any other
governmental entity or instrumentality electing or required to
25 make payments in lieu of contributions and which is covered by
the State plan under the "Temporary Disability Benefits Law."

27 (ii) Notwithstanding the provisions of this paragraph (2) with
respect to wages on or after the first day after enactment of P.L.
29,c. (C.)(now pending before the Legislature as this
bill), there shall be deposited in and credited to the State
31 disability benefits fund $\frac{1}{2}$ of all worker contributions received by
the controller upon which the rate of contribution is 1.0% and all
33 of the contributions received by the controller upon which the
rate of contribution is 0.50% of wages paid with respect to
35 employment with the State of New Jersey or any other
governmental entity or instrumentality electing or required to
37 make payments in lieu of contributions and which is covered by
the State plan under the "Temporary Disability Benefits Law,"
39 P.L.1948, c.110 (C.43:21-25 et seq.). Any reduction in

1 contributions approved as provided in the procedures in
2 subsection f. of section 8 of P.L.,c. ... (C.)(now pending
3 before the Legislature as this bill) shall not be from the 0.50% of
4 wages paid with respect to any employment in the State covered
5 by the State plan under the "Temporary Disability Benefits Law."

6 (3) If an employee receives wages from more than one
7 employer during any calendar year, and either the sum of his
8 contributions deposited in and credited to the State Disability
9 Benefits Fund (in accordance with paragraph (2) of this
10 subsection) plus the amount of his contributions, if any, required
11 towards the costs of benefits under one or more approved private
12 plans under the provisions of section 9 of the "Temporary
13 Disability Benefits Law," (C.43:21-33) and deducted from his
14 wages, or the sum of such latter contributions, if the employee is
15 covered during such calendar year only by two or more private
16 plans, exceeds an amount equal to $\frac{1}{2}$ of 1% of the "wages"
17 determined in accordance with the provisions of R.S.43:21-7(b)(3)
18 during the calendar years beginning on or after January 1, 1976,
19 the employee shall be entitled to a refund of the excess if he
20 makes a claim to the controller within two years after the end of
21 the calendar year in which the wages are received with respect to
22 which the refund is claimed and establishes his right to such
23 refund. Such refund shall be made by the controller from the
24 State Disability Benefits Fund. No interest shall be allowed or
25 paid with respect to any such refund. The controller shall, in
26 accordance with prescribed regulations, determine the portion of
27 the aggregate amount of such refunds made during any calendar
28 year which is applicable to private plans for which deductions
29 were made under section 9 of the "Temporary Disability Benefits
30 Law," such determination to be based upon the ratio of the
31 amount of such wages exempt from contributions to such fund, as
32 provided in subparagraph (B) of paragraph (1) of this subsection
33 with respect to coverage under private plans, to the total wages
34 so exempt plus the amount of such wages subject to contributions
35 to the disability benefits fund, as provided in subparagraph (B) of
36 paragraph (2) of this subsection. The controller shall, in
37 accordance with prescribed regulations, prorate the amount so
38 determined among the applicable private plans in the proportion
39 that the wages covered by each plan bear to the total private

1 plan wages involved in such refunds, and shall assess against and
2 recover from the employer, or the insurer if the insurer has
3 indemnified the employer with respect thereto, the amount so
4 prorated. The provisions of R.S.43:21-14 with respect to
5 collection of employer contributions shall apply to such
6 assessments. The amount so recovered by the controller shall be
7 paid into the State Disability Benefits Fund.

8 (4) If an individual does not receive any wages from the
9 employing unit which for the purposes of this chapter
10 (R.S.43:21-1 et seq.) is treated as his employer, or receives his
11 wages from some other employing unit, such employer shall
12 nevertheless be liable for such individual's contributions in the
13 first instance; and after payment thereof such employer may
14 deduct the amount of such contributions from any sums payable
15 by him to such employing unit, or may recover the amount of
16 such contributions from such employing unit, or, in the absence of
17 such an employing unit, from such individual, in a civil action;
18 provided proceedings therefor are instituted within three months
19 after the date on which such contributions are payable. General
20 rules shall be prescribed whereby such an employing unit may
21 recover the amount of such contributions from such individuals in
22 the same manner as if it were the employer.

23 (5) Every employer who has elected to become an employer
24 subject to this chapter (R.S.43:21-1 et seq.), or to cease to be an
25 employer subject to this chapter (R.S.43:21-1 et seq.), pursuant
26 to the provisions of [section] R.S.43:21-8 [of this Title], shall post
27 and maintain printed notices of such election on his premises, of
28 such design, in such numbers; and at such places as the director
29 may determine to be necessary to give notice thereof to persons
30 in his service.

31 (6) Contributions by workers, payable to the controller as
32 herein provided, shall be exempt from garnishment, attachment,
33 execution, or any other remedy for the collection of debts.

34 (e) Contributions by employers to State Disability Benefits
35 Fund.

36 (1) Except as hereinafter provided, each employer shall, in
37 addition to the contributions required by subsections (a), (b), and
38 (c) of this section, contribute $\frac{1}{2}$ of 1% of the wages paid by such
39 employer to workers with respect to employment unless he is not

1 a covered employer as defined in section 3 of the "Temporary
2 Disability Benefits Law," (C.43:21-27 (a)), except that the rate
3 for the State of New Jersey shall be 1/10 of 1% for the calendar
4 year 1980 and for the first six months of 1981. Prior to July 1,
5 1981 and prior to July 1 each year thereafter, the controller shall
6 review the experience accumulated in the account of the State of
7 New Jersey and establish a rate for the next following fiscal year
8 which, in combination with worker contributions, will produce
9 sufficient revenue to keep the account in balance; except that
10 the rate so established shall not be less than 1/10 of 1%. Such
11 contributions shall become due and be paid by the employer to
12 the controller for the State Disability Benefits Fund as
13 established by law, in accordance with such regulations as may be
14 prescribed, and shall not be deducted, in whole or in part, from
15 the remuneration of individuals in his employ. In the payment of
16 any contributions, a fractional part of a cent shall be disregarded
17 unless it amounts to \$0.005 or more, in which case it shall be
18 increased to \$0.01.

19 (2) During the continuance of coverage of a worker by an
20 approved private plan of disability benefits under the "Temporary
21 Disability Benefits Law," the employer shall be exempt from the
22 contributions required by subparagraph (1) above with respect to
23 wages paid to such worker.

24 (3)(A) The rates of contribution as specified in subparagraph (1)
25 above shall be subject to modification as provided herein with
26 respect to employer contributions due on and after July 1, 1951.

27 (B) A separate disability benefits account shall be maintained
28 for each employer required to contribute to the State Disability
29 Benefits Fund and such account shall be credited with
30 contributions deposited in and credited to such fund with respect
31 to employment occurring on and after January 1, 1949. Each
32 employer's account shall be credited with all contributions paid
33 on or before January 31 of any calendar year on his own behalf
34 and on behalf of individuals in his service with respect to
35 employment occurring in preceding calendar years; provided,
36 however, that if January 31 of any calendar year falls on a
37 Saturday or Sunday an employer's account shall be credited as of
38 January 31 of such calendar year with all the contributions which
39 he has paid on or before the next succeeding day which is not a

1 Saturday or Sunday. But nothing in this act shall be construed to
2 grant any employer or individuals in his service prior claims or
3 rights to the amounts paid by him to the fund either on his own
4 behalf or on behalf of such individuals. Benefits paid to any
5 covered individual in accordance with Article III of the
6 "Temporary Disability Benefits Law," on or before December 31
7 of any calendar year with respect to disability in such calendar
8 year and in preceding calendar years shall be charged against the
9 account of the employer by whom such individual was employed
10 at the commencement of such disability or by whom he was last
11 employed, if out of employment.

12 (C) The controller may prescribe regulations for the
13 establishment, maintenance, and dissolution of joint accounts by
14 two or more employers, and shall, in accordance with such
15 regulations and upon application by two or more employers to
16 establish such an account, or to merge their several individual
17 accounts in a joint account, maintain such joint account as if it
18 constituted a single employer's account.

19 (D) Prior to July 1 of each calendar year, the controller shall
20 make a preliminary determination of the rate of contribution for
21 the 12 months commencing on such July 1 for each employer
22 subject to the contribution requirements of this subsection (e).

23 (1) Such preliminary rate shall be $\frac{1}{2}$ of 1% unless on the
24 preceding January 31 of such year such employer shall have been
25 a covered employer who has paid contributions to the State
26 Disability Benefits Fund with respect to employment in the three
27 calendar years immediately preceding such year.

28 (2) If the minimum requirements in (1) above have been
29 fulfilled and the credited contributions exceed the benefits
30 charged by more than \$500.00, such preliminary rate shall be as
31 follows:

32 (i) $\frac{2}{10}$ of 1% if such excess over \$500.00 exceeds 1% but is
33 less than 1 $\frac{1}{2}$ % of his average annual payroll (as defined in this
34 chapter (R.S.43:21-1 et seq.);

35 (ii) $\frac{15}{100}$ of 1% if such excess over \$500.00 equals or exceeds
36 1 $\frac{1}{2}$ % but is less than 1 $\frac{3}{4}$ % of his average annual payroll;

37 (iii) $\frac{1}{10}$ of 1% if such excess over \$500.00 equals or exceeds
38 1 $\frac{3}{4}$ % of his average annual payroll.

39 (3) If the minimum requirements in (1) above have been

1 fulfilled and the contributions credited exceed the benefits
2 charged but by not more than \$500.00 plus 1% of his average
3 annual payroll, or if the benefits charged exceed the
4 contributions credited but by not more than \$500.00, the
5 preliminary rate shall be $\frac{1}{2}$ of 1%.

(4) If the minimum requirements in (1) above have been
7 fulfilled and the benefits charged exceed the contributions
8 credited by more than \$500.00, such preliminary rate shall be as
9 follows:

(i) 35/100 of 1% if such excess over \$500.00 is less than $\frac{1}{2}$ of
11 1% of his average annual payroll;

(ii) 45/100 of 1% if such excess over \$500.00 equals or exceeds
13 $\frac{1}{2}$ of 1% but is less than $\frac{1}{2}$ of 1% of his average annual payroll;

(iii) 55/100 of 1% if such excess over \$500.00 equals or
15 exceeds $\frac{1}{2}$ of 1% but is less than $\frac{1}{2}$ of 1% of his average annual
16 payroll;

(iv) 65/100 of 1% if such excess over \$500.00 equals or exceeds
17 $\frac{1}{2}$ of 1% but is less than 1% of his average annual payroll;

(v) 75/100 of 1% if such excess over \$500.00 equals or exceeds
19 1% of his average annual payroll.

(5) Determination of the preliminary rate as specified in (2),
21 (3) and (4) above shall be subject, however, to the condition that
22 it shall in no event be decreased by more than 1/10 of 1% of
23 wages or increased by more than 2/10 of 1% of wages from the
24 preliminary rate determined for the preceding year in accordance
25 with (1), (2), (3) or (4), whichever shall have been applicable.

(E)(1) Prior to July 1 of each calendar year the controller shall
27 determine the amount of the State Disability Benefits Fund as of
28 December 31 of the preceding calendar year, increased by the
29 contributions paid thereto during January of the current calendar
30 year with respect to employment occurring in the preceding
31 calendar year. If such amount including the amount of the loan
32 from the fund not repaid from the New Jersey Unemployment
33 Health and Life Insurance Trust Fund exceeds the net amount
34 withdrawn from the unemployment trust fund pursuant to section
35 23 of the "Temporary Disability Benefits Law," P.L.1948, c.110
36 (C.43:21-47) plus the amount at the end of such preceding
37 calendar year of the unemployment disability account (as defined
38 in section 22 of [said law] P.L.1948, c.110 (C.43:21-46)), such
39

1 excess shall be expressed as a percentage of the wages on which
2 contributions were paid to the State Disability Benefits Fund on
3 or before January 31 with respect to employment in the
4 preceding calendar year.

5 (2) The controller shall then make a final determination of the
6 rates of contribution for the 12 months commencing July 1 of
7 such year for employers whose preliminary rates are determined
8 as provided in (D) hereof, as follows:

9 (i) If the percentage determined in accordance with paragraph
10 (E)(1) of this subsection equals or exceeds 1 ½%, the final
11 employer rates shall be the preliminary rates determined as
12 provided in (D) hereof, except that if the employer's preliminary
13 rate is determined as provided in (D)(2) or (D)(3) hereof, the final
14 employer rate shall be the preliminary employer rate decreased
15 by such percentage of excess taken to the nearest 5/100 of 1%,
16 but in no case shall such final rate be less than 1/10 of 1%.

17 (ii) If the percentage determined in accordance with paragraph
18 (E)(1) of this subsection equals or exceeds 8/4 of 1% and is less
19 than 1 ½ of 1%, the final employer rates shall be the preliminary
20 employer rates.

21 (iii) If the percentage determined in accordance with
22 paragraph (E)(1) of this subsection is less than ½ of 1%, but in
23 excess of ¼ of 1%, the final employer rates shall be the
24 preliminary employer rates determined as provided in (D) hereof
25 increased by the difference between ½ of 1% and such percentage
26 taken to the nearest 5/100 of 1%; provided, however, that no such
27 final rate shall be more than ½ of 1% in the case of an employer
28 whose preliminary rate is determined as provided in (D)(2) hereof,
29 more than ¼ of 1% in the case of an employer whose preliminary
30 rate is determined as provided in (D)(1) and (D)(3) hereof, nor
31 more than ½ of 1% in the case of an employer whose preliminary
32 rate is determined as provided in (D)(4) hereof.

33 (iv) If the amount of the State Disability Benefits Fund
34 determined as provided in paragraph (E)(1) of this subsection is
35 equal to or less than ¼ of 1%, then the final rate shall be 2/5 of
36 1% in the case of an employer whose preliminary rate is
37 determined as provided in (D)(2) hereof, 7/10 of 1% in the case of
38 an employer whose preliminary rate is determined as provided in
39 (D)(1) and (D)(3) hereof, and 1.1% in the case of an employer

1 whose preliminary rate is determined as provided in (D)(4)
2 hereof. Notwithstanding any other provision of law or any
3 determination made by the controller with respect to any
4 12-month period commencing on July 1, 1970, the final rates for
5 all employers for the period beginning January 1, 1971, shall be as
6 set forth herein.

7 (cf: P.L.1984, c.24, s.5).

8 13. (New section) a. On or before December 1, 1989, the
9 commissioner shall report to the Governor, the President of the
10 Senate, the Speaker of the General Assembly, the Senate
11 Revenue, Finance and Appropriations Committee and the
12 Assembly Appropriations Committee, or their successors,
13 concerning the progress in implementing the provisions of this
14 act. If available, the report shall include the results of the
15 advertisement for bids for private insurance carriers or servicing
16 carriers or both, the types of insurance coverage that may be
17 provided, a determination of whether or not the fund's reserves
18 are adequate to provide that coverage during the first 12 months
19 of coverage and economic projections on the adequacy of the
20 fund's reserves for seven years thereafter.

21 b. If the information concerning the results of the
22 advertisement for bids, the types of coverage and adequacy of
23 the fund reserves is not available on or before December 1, 1989,
24 the commissioner shall provide that information, as described in
25 subsection a. of this section, to the Governor, the President of
26 the Senate, the Speaker of the General Assembly, the Senate
27 Revenue, Finance and Appropriations Committee, and the
28 Assembly Appropriations Committee, or their successorson or
29 before the first day of the 12th month following enactment of
30 this act .

31 14. (New section) There is appropriated to a special account
32 which shall be established in the State of New Jersey Cash
33 Management Fund from the State disability benefits fund
34 \$50,000,000.00. Upon the approval of both the State Treasurer
35 and the Joint Budget Oversight Committee, or its successor,
36 which approval shall occur no earlier than the first day of the
37 fifteenth month following the enactment of this act, all moneys,
38 including interest, in the special account shall be transferred to
39 the New Jersey Unemployment Health and Life Insurance Trust

1 Fund for the purpose of establishing the health insurance and life
insurance plans under this act. The New Jersey Unemployment
3 Health and Life Insurance Trust Fund shall reimburse the State
disability benefits fund for the full amount of this appropriation
5 without interest, as provided herein. The reimbursement shall be
made in ten equal annual installments commencing January 31,
7 1991. However, during any calendar year in which the
commissioner, in consultation with the commission, determines
9 under section 8 of this act that the fund's reserves are not
adequate to meet the projected expenses of the fund, the
11 reimbursement shall be delayed until the next following calendar
year.

13 The insurance coverage authorized pursuant to this act shall
not be provided until the State Treasurer and the committee have
15 approved the transfer from the special account to the New Jersey
Unemployment Health and Life Insurance Trust Fund. If the
17 transfer is not approved, the moneys, including interest, in the
special account shall remit to the State disability benefits fund.
19 If the transfer is not approved, any moneys, including interest, in
the New Jersey Unemployment Health and Life Insurance Trust
21 Fund shall be remitted to the unemployment compensation fund
and the commissioner shall provide that future contributions to
23 the fund shall be remitted to the unemployment compensation
fund.

25 15. This act shall take effect immediately, but insurance
coverage under sections 4 and 5 shall not be provided before the
27 first day of the nineteenth month following enactment.

29

LABOR AND EMPLOYMENT

31 Unemployment Compensation

33 Establishes New Jersey Health and Life Insurance Plan for
certain unemployed individuals; appropriates \$50 million.

SENATE LABOR, INDUSTRY AND PROFESSIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR

SENATE, Nos. 2063 and 2049

STATE OF NEW JERSEY

DATED: MARCH 21, 1988

This bill, a Senate Committee Substitute for Senate Bill Nos. 2063 and 2049, establishes two insurance plans for unemployed individuals to provide basic health insurance and term life insurance. The first, a health insurance plan, provides health insurance to unemployed individuals and their dependents. The second, a term life insurance plan, provides \$5,000.00 in term life insurance coverage for unemployed individuals.

To be eligible under either plan, or both, an individual must be unemployed and eligible to receive unemployment compensation; not be eligible for health insurance benefits under any other insurance plan or public assistance program or for life insurance benefits under any other insurance plan or public assistance program, as the case may be; and be ineligible for temporary disability benefits. Coverage under both plans becomes effective after filing of a valid claim for unemployment benefits, and may remain in effect for 26 weeks, or 39 weeks if extended unemployment benefits are in effect, unless the individual's benefit year expires or the individual becomes reemployed.

The two insurance plans are funded by diverting a portion of employees' current unemployment compensation contribution of 0.625% of taxable wages from the unemployment compensation fund to the Unemployment Health and Life Insurance Trust Fund, which is created by the bill to provide the moneys for the insurance plans and their administration. An employee's contribution to the Unemployment Health and Life Insurance Trust Fund is 0.125% of the employee's taxable wages (the maximum taxable wage base in 1988 is \$12,000.00). This means that the unemployment compensation fund will continue to receive 0.5% of an employee's taxable wages.

\$50,000,000.00 is transferred from the employees' share of the unemployment compensation fund as start-up moneys to establish the Unemployment Health and Life Insurance Trust Fund. This transfer is a loan and the bill requires that this money must be paid back by January 1, 1994.

The health and life insurance plans are to be administered by the Division of Unemployment Compensation and Temporary Disability Insurance. The State Unemployment Health and Life Insurance Commission is created by the bill to oversee the operations of the health and life insurance plans and their administration. The eight-member commission consists of three representatives of labor from the private sector; one representative of labor from the public sector; and the State Treasurer and the Commissioners of Health, Insurance and Labor.

The bill provides that the health insurance will be provided through private insurance carriers, selected by the division through a competitive bid process, and that term life insurance will be provided on a self-insured basis or through private insurance carriers, selected by the division through a competitive bid process. The bill specifically provides that the health insurance coverage shall cover physical or mental conditions existing prior to the commencement of the unemployed individual's eligibility period.

STATE OF NEW JERSEY

ADOPTED APRIL 25, 1988

Sponsored by Assemblymen LITTELL, GENOVA, Patero, Foy,
Miller, Haytaian, Felice and LoBiondo

1 AN ACT to provide basic health insurance coverage and life
insurance for unemployed individuals through a health and life
3 insurance trust fund, amending R.S.43:21-7 ²[and P.L.1986,
c.204]² ³and P.L.1989, c.1³, supplementing chapter 21 of Title
5 43 of the Revised Statutes, and making an appropriation.

7 BE IT ENACTED by the Senate and General Assembly of the
State of New Jersey:

9 1. (New section) ²[This] Sections 1 through 11 and ³[sections
13 and] section³ 14 of this² act shall be known and may be cited
11 as the "New Jersey Unemployment Health and Life Insurance
Act."

13 2. (New section) The Legislature finds and declares that:

15 a. Many of New Jersey's workers who become involuntarily
unemployed lack health and life insurance coverage for
themselves and their dependents;

17 b. The lack of health and life insurance coverage among
unemployed workers and their dependents threatens the physical
19 and economic well-being of these workers and their dependents
and is a matter of general interest and concern to the citizens of
21 this State;

c. The provision of minimum levels of health and life insurance
23 coverage to workers who become unemployed and who comply
with the provisions of the "unemployment compensation law,"
25 R.S.43:21-1 et seq., and the "Extended Benefits Law," P.L.1970,
c.324 (C.43:21-24.11 et seq.), is consistent with the purposes of
27 those laws to provide benefits to workers during periods of
involuntary unemployment, thus maintaining purchasing power
29 and limiting the serious social consequences of public assistance
for those workers;

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly floor amendments adopted June 13, 1988.

² Senate SRF committee amendments adopted January 12, 1989.

³ Assembly floor amendments adopted February 6, 1989.

d. The present level of reserves in the unemployment compensation fund is sufficiently high in relation to current and projected levels of covered unemployment within the State to allow the permanent diversion of a portion of each covered employee's total contribution from that fund to a special trust fund for providing basic health and life insurance coverage for individuals affected by involuntarily unemployment;

e. A health and life insurance program financed solely through employee contributions to a special trust fund is in the interests of the citizens of this State in protecting workers and their dependents during difficult economic times, in reducing health care costs in the State by providing a continuum of health insurance coverage for workers in this State, and by partially addressing the crisis of uncompensated care at hospitals throughout the State; and

f. Therefore, it is necessary and proper for the State to establish, through the collection and use of employee contributions, a program to provide health and life insurance benefits to workers during periods of involuntary unemployment.

3. (New section) As used in ²sections 1 through 11 and ³[sections 13 and] section³ 14 of² this act:

"Applicable premium" means, with respect to continuation coverage, the cost to the health insurance plan or life insurance plan, or both, for ²[the period] one 28 day period or two consecutive 28 day periods² of coverage ²[for similarly situated] that may be purchased by the² individuals covered by the plan or plans.

"Commission" means the New Jersey Unemployment Health and Life Insurance Commission created by section 6 of this act.

"Commissioner" means the Commissioner of Labor.

"Continuation coverage" means ²[31 days] one 28 day period or two consecutive 28 day periods² of coverage under the health insurance plan or the life insurance plan, or both, ²which may be² purchased ²[,] by the individual upon ³[expiration] termination³ of the individual's ³[eligibility period²] coverage under the health insurance plan, or the life insurance plan, or both, and provided to the individual³ pursuant to subsection c. of section 4 or subsection c. of section 5 of this act, or both ²[, by an individual covered by the plan or plans when the individual returns to

1 employment]² ³; provided that any individual who receives
2 temporary disability benefits during the period of continuation
3 coverage purchased by the individual under the health or life
4 insurance plan, or both, as the case may be, shall receive benefits
5 under the plan or plans, as the case may be³.

6 ²"Contributions" means the amounts paid by an employee
7 which are withheld by an employer for deposit in the New Jersey
8 Unemployment Health and Life Insurance Trust Fund pursuant to
9 section 8 of this act.

10 "Controller" means the Office of the Assistant Commissioner
11 for Finance and Controller of the Department of Labor,
12 established by the 1982 Reorganization Plan of the Department
13 of Labor.

14 "Department" means the Department of Labor.²

15 ²["Date of termination" means the last calendar day on which
16 an individual performed services in employment for an employer
17 prior to the individual's filing of a claim for benefits under the
18 "unemployment compensation law," R.S.43:21-1 et seq.]²

19 ²["Dependents"] "Dependent"² means ²[the spouse and
20 dependent children, natural and adopted under the age of 21, of
21 an unemployed individual, provided that the spouse and dependent
22 children are reported for coverage under the plan and that the
23 dependent children are wholly dependent on the unemployed
24 individual for support and maintenance] an unemployed
25 individual's spouse or an unmarried child, including a stepchild or
26 a legally adopted child, under the age of 19 or an unmarried child,
27 who is attending an educational institution as defined in
28 subsection (y) of R.S.43:21-19 on a full-time basis and is under
29 the age of 22².

30 "Division" means the Division of Unemployment and
31 Temporary Disability Insurance in the Department of Labor.

32 "Eligibility period" means the period of weeks in an
33 individual's benefit year during which the individual is eligible to
34 receive benefits under the "unemployment compensation law,"
35 R.S.43:21-1 et seq., or, if applicable, the "Extended Benefits
36 Law," P.L.1970, c.324 (C.43:21-24.11 et seq.), during which
37 period the unemployed individual may be enrolled in the health
38 insurance plan, the life insurance plan, or both. However, the
39 individual shall not be eligible for enrollment in the health or life

1 insurance plan ²[:]² for a period of ²[30 days after his date of
2 termination if the individual files an initial claim for
3 unemployment benefits on or before the 20th calendar day after
4 his date of termination; for the four weeks immediately following
5 the filing of the claim, if the individual files an initial claim for
6 unemployment benefits 21 calendar days or more after his date of
7 termination; or for any week when an unemployed individual
8 returns to employment, except for any week during which an
9 individual elects to purchase continuation coverage under
10 subsection c. of section 4 or subsection c. of section 5 of this act,
11 or both] 28 days following the date of the claim commencing the
12 benefit year². If the ²[division] department² determines that an
13 unemployed individual is eligible for enrollment in the health
14 insurance plan or the life insurance plan, or both, the unemployed
15 individual shall be eligible for enrollment until the expiration of
16 the unemployed individual's benefit year or until the expiration
17 of the unemployed individual's maximum weeks of benefits for
18 the benefit year under the "unemployment compensation law,"
19 R.S.43:21-1 et seq., or the "Extended Benefits Law," P.L.1970,
20 c.324 (C.43:21-24.11 et seq.), whichever date is earlier. The
21 maximum eligibility period, however, shall not include the period
22 of continuation coverage by an unemployed individual under
23 subsection c. of section 4 or subsection c. of section 5 of this act,
24 or both.

25 "Fund" means the New Jersey Unemployment Health and Life
26 Insurance Trust Fund created by section 8 of this act.

27 "Health insurance plan" means the New Jersey Unemployment
28 Health Insurance Plan established ²[by] pursuant to² section 4 of
29 this act.

30 "Health services" means in-patient hospital services,
31 emergency out-patient hospital services, and physician's services
32 provided at the physician's office, a health clinic, or the
33 patient's home, ²[but] except that "health services"² shall not
34 include: ²services provided by² out-of-country physicians or
35 providers; elective surgery; elective cosmetic surgery; any
36 service that does not meet the medical necessity or level of care
37 requirements of the health insurance plan; services resulting from
38 a motor vehicle accident if those services are eligible for
39 payment under the personal injury protection insurance coverage

1 provided pursuant to section 4 of P.L.1972, c.70 (C.39:6A-4) or
any other policy of motor vehicle insurance, whether or not a
3 proper and timely claim for payment for these services is made
under the motor vehicle insurance contract; services for the
5 treatment of any condition, disease, illness or injury that is
compensable under the Workers' Compensation Law, R.S.34:15-1
7 et seq.; services provided for screening, research studies,
education or experimentation, routine pre-operative
9 consultations, and stand-by services; services given during a
hospital, detoxification, residential or skilled nursing facility stay
11 whenever the stay is primarily for bed rest, rest cure,
convalescent, custodial or sanatorium care, diet therapy or
13 occupational therapy, or any combination of these reasons;
services during any part of a hospital or skilled nursing facility
15 stay that is primarily for physical or rehabilitation therapy;
physician services for anesthesia and consultation when those
17 services are given in connection with any other service that is not
covered; skilled nursing facility services for care of mental,
19 psychoneurotic, or personality disorders or tuberculosis or in
connection with administration of dialysis; housekeeping services
21 under home care visits; blood, plasma, other blood derivatives or
components when used as blood substitutes or replacements;
23 orthopedic or prosthetic devices including, but not limited to,
heart valves and artificial limbs; services performed by surgical
25 assistants not employed by a hospital; allergy testing; eye
refractions and hearing surveys; transportation services
27 (ambulance); private nursing; services performed before the
effective date of coverage and services given after termination
29 of coverage; and any services which are not specifically covered
by the health insurance plan as set forth in regulations
31 promulgated by the commissioner pursuant to section 4 of this
act.

33 "Life insurance plan" means the New Jersey Unemployment
Life Insurance Plan established ²[by] pursuant to² section 5 of
35 this act.

"Private insurance carrier" means an insurer authorized or
37 licensed to write health or health and accident insurance or life
insurance in this State pursuant to ²Title 17 of the Revised
39 Statutes or² Title 17B of the New Jersey Statutes, a health

1 maintenance organization authorized to provide health care
2 services pursuant to P.L.1973, c.337 (C.26:2J-1 et seq.), or a
3 health, hospital or medical service corporation authorized to
4 write hospital service, medical service, or health insurance or
5 provide health care services pursuant to P.L.1938, c.366
6 (C.17:48-1 et seq.), P.L.1940, c.74 (C.17:48A-1 et seq.), or
7 P.L.1985, c.236 (C.17:48E-1 et seq.).

"Servicing carrier" means a corporation or other entity,
8 including private insurance carriers, providing only administrative
9 and claims services for the provision of health or life insurance
10 coverage, or both, under this act.

"Unemployed individual" means an individual who has filed
11 with the division a valid claim for unemployment benefits, as
12 determined by the division pursuant to R.S.43:21-1 et seq., or, if
13 applicable, a valid claim for extended benefits in accordance with
14 the provisions of the "Extended Benefits Law," P.L.1970, c.324
15 (C.43:21-24.11 et seq.), and any individual electing to purchase
16 continuation coverage under the health insurance plan or the life
17 insurance plan, or both, pursuant to subsection c. of section 4 or
18 subsection c. of section 5 of this act, or both. An unemployed
19 individual may enroll in either the health insurance plan or the
20 life insurance plan, or both, under this act.

"Valid claim" means a valid claim for benefits under the
21 provisions of the "unemployment compensation law," R.S.43:21-1
22 et seq., or the "Extended Benefits Law," P.L.1970, c.324
23 (C.43:21-24.11 et seq.) ²[but does not include a claim for partial
24 unemployment benefits covered by regulations promulgated
25 pursuant to R.S.43:21-11]².

26 4. (New section) Health insurance plan. a. There ²[is
27 created] shall be established² a New Jersey Unemployment
28 Health Insurance Plan to provide health insurance coverage for
29 health services provided to unemployed individuals and their
30 dependents enrolled in the plan in accordance with the provisions
31 of this act and any rules and regulations promulgated pursuant to
32 this act by the commissioner. The ²[division] department² shall
33 administer the health insurance plan on an actuarially sound
34 basis, and shall provide benefits to unemployed individuals
35 through insurance purchased from a private insurance carrier or
36 carriers or made available through a servicing carrier or carriers,
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39

1 selected by the ²commissioner, in consultation with the²
2 commission through a competitive bidding process to provide
3 coverage for health care services to unemployed individuals
enrolled in the plan.

5 b. Enrollment in the health insurance plan shall be available to
all unemployed individuals, subject to any limitation imposed by
7 federal law or established by this act. An individual shall be
deemed eligible for enrollment in the health insurance plan if:

9 (1) The individual completes an application for enrollment in
the health insurance plan in a form prescribed by the ²[division]
11 department² at the time the unemployed individual files an initial
claim for benefits under the "unemployment compensation law,"
13 R.S.43:21-1 et seq., or the "Extended Benefits Law," P.L.1970,
c.324 (C.43:21-24.11 et seq.), if applicable, or at the time when
15 the unemployed individual's previously existing health insurance
coverage expires during the unemployed individual's benefit year;

17 (2) The ²[division] department² determines that the individual
is eligible to receive unemployment compensation benefits under
19 the "unemployment compensation law," R.S.43:21-1 et seq.,
including an individual eligible for disability benefits pursuant to
21 subsection (f) of R.S.43:21-4, or the "Extended Benefits Law,"
P.L.1970, c.324 (C.43:21-24.11 et seq.), if applicable;

23 (3) The ²[division] department² determines that the
unemployed individual is not eligible for benefits under the
25 "Temporary Disability Benefits Law," P.L.1948, c.110
(C.43:21-25 et seq.);

27 (4) ²[The] if the² individual had been disqualified from or
deemed ineligible for unemployment compensation benefits under
29 the "unemployment compensation law," R.S.43:21-1 et seq., or
the "Extended Benefits Law," P.L.1970, c.324 (C.43:21-24.11 et
31 seq.), if extended benefits are in effect, ²[and] the individual² has
requalified for benefits as required under the "unemployment
33 compensation law," R.S.43:21-1 et seq., or the "Extended
Benefits Law," P.L.1970, c.324 (C.43:21-24.11 et seq.); ²and²

35 (5) The unemployed individual is not ²[entitled to] covered by²
health insurance benefits under any other insurance plan or public
37 assistance program ²[; and]

39 (6) The unemployed individual, and any dependents to be
covered under the health insurance plan, are residents of New

1 Jersey or residents of a state which has established within its
jurisdiction a health insurance program for unemployed
3 individuals and their dependents that is substantially identical
with the health insurance plan established under this act and
5 which has entered into an interstate agreement with the
commissioner to provide health services to unemployed
7 individuals and their dependents on a reciprocal basis]².

c. Continuation coverage under the health insurance plan shall
9 also be available to an unemployed individual ²[who returns to
employment] whose ³[eligibility period has expired]² coverage
11 under the plan has terminated³ and who was enrolled in the plan
immediately prior to ²[his return to employment] that
13 ³[expiration]² termination³. ²[An] The continuation coverage
shall be available for one 28 day period or two consecutive 28 day
15 periods following expiration, either of which an² unemployed
individual may elect to purchase ²[continuation coverage]² under
17 the health insurance plan ²[after his return to employment if
the]. The² unemployed individual ²shall be eligible for
19 continuation coverage if the unemployed individual²:

(1) Completes an application form for continuation coverage
21 prescribed by the division;

(2) Pays to the ²[division] private insurance carrier or
23 servicing carrier², in accordance with regulations promulgated by
the commissioner, ²[104 percent of]² the applicable premium for
25 the period of continuation coverage ²as provided herein²; and

(3) During the period of continuation coverage ²₁² is not
27 ²[eligible] covered² as an employee for coverage under an
employer's health benefits plan, or is not ²[entitled to] covered
29 by² health insurance benefits under any other insurance plan or
public assistance program.

31 d. The commissioner shall promulgate, in consultation with the
commission and in accordance with the "Administrative
33 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), rules and
regulations necessary to establish and maintain the health
35 insurance plan including, but not limited to, regulations or rules
establishing within the limits established by this act: the types
37 and limits of coverage and benefits to be provided under the plan;
the amount of reserves to be established; the procedures
39 governing claims, adjustments, and legal fees; the requirements

1 for purchasing continuation coverage; and any other procedures
 2 or standards as the commissioner may deem necessary to
 3 effectuate the purposes of this act. Coverage provided to
 4 eligible applicants under the health insurance plan may include
 5 provisions governing preexisting physical conditions as approved
 6 by the commissioner. Coverage of preexisting conditions for any
 7 class or classes of individuals determined by the commissioner to
 8 be high risk shall be provided only in accordance with
 9 underwriting standards developed by the commissioner, in
 10 consultation with the Commissioner of Insurance, and
 11 promulgated as regulations by the commissioner. These
 12 underwriting standards, which shall be applicable to each class
 13 determined to be high risk, shall be developed on an actuarially
 14 sound basis, and may include deductibles, copayments, exclusions,
 15 and waiting periods consistent with generally accepted
 16 underwriting standards for other providers of health insurance
 17 coverage.

e. The ²[division] department² shall:

19 (1) Perform, at the direction of the commissioner, any task
 20 necessary for the commission to fulfill its duties and
 21 responsibilities as trustee of the health insurance plan under this
 22 act; ²and²

23 (2) Notify the appropriate contracting private insurance
 24 carrier or carriers or servicing carrier or carriers of the
 25 unemployed individual's eligibility period, and of any changes in
 26 the eligibility status of the unemployed individual, caused by
 27 benefit year ineligibilities, disqualifications, or a return to
 28 employment or by the purchase of continuation coverage.

29 f. Coverage and benefits provided under the health insurance
 30 plan shall not be subject to ²[:]² any other State law requiring the
 31 provision of coverage under a health insurance or benefits plan or
 32 policy ²[; or the uniform Statewide uncompensated care add-on
 33 required under section 6 of P.L.1986, c.204]² ³or to the uniform
 34 Statewide uncompensated care add-on required by section 6 of
 35 P.L.1989, c.1 (C.26:2H-18.9)³.

5. (New section) Life insurance plan. a. There ²[is created]
 37 shall be established² a New Jersey Unemployment Life Insurance
 38 Plan, to provide term life insurance for unemployed individuals
 39 enrolled in the plan in accordance with the provisions of this act

1 and any rules and regulations promulgated pursuant to this act by
the commissioner. The ²[division] department² shall administer
3 the life insurance plan on an actuarially sound basis, and shall
provide term life insurance coverage to unemployed individuals as
5 a self-insurer through the fund or through insurance purchased
from a private insurance carrier or carriers or made available
7 through a servicing carrier or carriers selected by the
²commissioner, in consultation with the² commission through a
9 competitive bidding process to provide term life insurance
coverage to unemployed individuals enrolled in the plan.

11 b. Enrollment in the life insurance plan shall be available to all
unemployed individuals subject to any limitation imposed by
13 federal law or established by this act. An individual shall be
deemed eligible for enrollment in the life insurance plan if:

15 (1) The applicant completes an application for enrollment in
the life insurance plan in a form prescribed by the ²[division]
17 department² at the time the individual files an initial claim for
benefits under the "unemployment compensation law,"
19 R.S.43:21-1 et seq., or the "Extended Benefits Law," P.L.1970,
c.324 (C.43:21-24.11 et seq.), if applicable, or at the time the
21 unemployed individual's previously existing life insurance
coverage expires during the unemployed individual's benefit year;

23 (2) The ²[division] department² determines that the individual
is eligible to receive benefits under the "unemployment
25 compensation law," R.S.43:21-1 et seq., including an individual
eligible for disability benefits pursuant to subsection (f) of
27 R.S.43:21-4 et seq., or the "Extended Benefits Law," P.L.1970,
c.324 (C.43:21-24.11 et seq.);

29 (3) The ²[division] department² determines that the
unemployed individual is not eligible for benefits pursuant to the
31 "Temporary Disability Benefits Law," P.L.1948, c.110
(C.43:21-25 et seq.);

33 (4) ²[The] If the² individual had been disqualified from or
deemed ineligible for benefits under the "unemployment
35 compensation law," R.S.43:21-1 et seq., or the "Extended
Benefits Law," P.L.1970, c.324 (C.43:21-24.11 et seq.), if
37 applicable, ²[and]² the individual has requalified for
unemployment benefits as required under the "unemployment
39 compensation law," R.S.43:21-1 et seq., or the "Extended

1 Benefits Law," P.L.1970, c.324 (C.43:21-24.11 et seq.); ²and²

3 (5) The individual is not ²[entitled to] covered by² life
insurance benefits under any other insurance plan or public
assistance program ²[: and

5 (6) The unemployed individual is a resident of New Jersey or a
resident of a state which has established within its jurisdiction a
7 life insurance program for unemployed individuals that is
substantially identical with the life insurance plan established
9 under this act and which has entered into an interstate agreement
with the commissioner to provide life insurance to unemployed
11 individuals on a reciprocal basis].²

c. Continuation coverage under the life insurance plan shall
13 also be available to an unemployed individual ²[who returns to
employment] whose ³[eligibility period has expired]² coverage
15 under the plan has terminated³ and who was enrolled in the plan
immediately prior to ²[his return to employment] that
17 ³[expiration]² termination³. ²[An] The continuation coverage
shall be available for one 28 day period or two consecutive 28 day
19 periods following expiration, either of which an² unemployed
individual may elect to purchase ²[continuation coverage]² under
21 the life insurance plan ²[after his return to employment if the] .
The² unemployed individual ²shall be eligible for continuation
23 coverage, if the unemployed individual²:

(1) Completes an application for continuation coverage in a
25 form prescribed by the division ²[.] ;²

(2) Pays to the ²[division] private insurance carrier or
27 servicing carrier or the department², in accordance with
regulations promulgated by the commissioner, ²[104 percent of]²
29 the applicable premium for the period of continuation coverage
²as provided herein²; and

31 (3) Is not ²[eligible] covered² as an employee for coverage
under an employer's life insurance benefit plan during the period
33 of continuation coverage, and is not ²[entitled to] covered by²
life insurance benefits under any other insurance plan or public
35 assistance program.

d. The commissioner shall promulgate, in consultation with the
37 commission and in accordance with the "Administrative
Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), any rules
39 and regulations necessary to establish and maintain the life

1 insurance plan including, but not limited to, regulations or rules
 2 establishing: the limits of coverage to be provided under the plan;
 3 the amount of reserves to be established; the procedures
 4 governing claims, adjustments, and legal fees; and such other
 5 procedures or standards as the commissioner may deem necessary
 6 to effectuate the purposes of this act.

7 e. The ²[division] department² shall:

8 (1) Perform, at the direction of the commissioner, any task
 9 necessary for the commission to fulfill its duties and
 10 responsibilities as trustee of the life insurance plan; and

11 (2) Notify the appropriate contracting private insurance
 12 carrier or carriers or servicing carrier or carriers of the
 13 unemployed individual's eligibility period, and of any changes in
 14 the eligibility status of the unemployed individual, caused by
 15 benefit year ineligibilities, disqualifications, or a return to
 16 employment or by the purchase of continuation coverage.

17 f. Life insurance provided under the life insurance plan shall
 18 be term life insurance limited to \$5,000.00, to be payable to the
 19 named beneficiaries or estate of the unemployed individual
 20 enrolled in the plan upon the death of the unemployed individual
 21 under the conditions set forth in the plan by rules and regulations
 22 promulgated by the commissioner pursuant to this act.

23 6. (New section) Commission. a. There is created a New
 24 Jersey Unemployment Health and Life Insurance Commission.
 25 The commission shall consist of ¹[11] ²[13]¹ ³[10]² 13³ members,
 26 of whom ¹[eight] ²[nine]¹ ³[six]² nine³ shall be ²public members²
 27 appointed by the Governor for a term of ²[two] four² years. Of
 28 these ²public² members, ²[three] ³[two]² three³ shall be
 29 appointed from persons recommended by labor organizations
 30 representing workers in the private sector; ²[three] ³[one]²
 31 three³ shall be appointed from persons recommended by
 32 recognized business and trade organizations; one shall be
 33 appointed from persons recommended by recognized associations
 34 of local and county government; ¹[and]¹ one shall be appointed
 35 from persons recommended by labor organizations representing
 36 workers in the public sector ¹; and one shall be appointed from
 37 residents of the State to represent the interests of the public,
 38 provided that the appointed public member shall not have any
 39 relationship or association with a labor organization, a business or

1 trade organization, or an association of county and local
 2 government, where that relationship or association would prevent
 3 the public member from representing the interests of the
 4 public¹. The State Treasurer, the Commissioner of Insurance,
 5 ¹the Commissioner of Health,¹ and the Commissioner of Labor,
 6 or their designees, shall serve as ex officio members. The
 7 Commissioner of Labor shall serve as the chairman of the
 8 commission. ²Of the public members first appointed by the
 9 Governor, ³[two] ^{three}³ shall serve for a term of two years,
 10 ³[two] ^{three}³ shall serve for a term of three years and ³[two]
 11 ^{three}³ shall serve for a term of four years.² All vacancies shall
 12 be filled for the balance of the unexpired term in the same
 13 manner as the original appointments. Members of the
 14 commission shall serve without compensation, but the commission
 15 may, within the limits of the funds available to it, reimburse its
 16 members for necessary expenses incurred in the discharge of
 17 their official duties.

18 ²The Governor shall appoint the public members within 30 days
 19 of enactment of this act and the first meeting of the commission
 20 shall be convened within 60 days of enactment of this act.²

21 b. The commission shall:

22 (1) Act as trustee of the health insurance plan, the life
 23 insurance plan, and the fund and ensure that each plan is
 24 conducted on an actuarially sound basis;

25 (2) Conduct annually a review of the management and
 26 operations of the health insurance plan and the life insurance plan
 27 and an audit of the fund; ¹[and]¹

28 (3) Prepare an annual report to the Governor and the
 29 Legislature which lists in detail the findings of the commission
 30 concerning the operations and management of each plan and
 31 which describes any recommendations for legislation which the
 32 commission deems necessary to ensure the provision of adequate
 33 health and life insurance coverage to unemployed individuals and
 34 to protect the solvency of the fund ¹[.]; and¹

35 (4) ²[Select] Consult with the commissioner concerning the
 36 selection of² a private insurance carrier or carriers or a servicing
 37 carrier or carriers to provide health insurance coverage, life
 38 insurance coverage, or both under this act.

39 7. (New section) Authority to Promulgate Regulations. ²[The]

1 In addition to the rules and regulations adopted pursuant to
2 subsection d. of section 4 and subsection d. of section 5 of this
3 act, the² commissioner shall adopt, in accordance with the
4 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
5 seq.) and in consultation with the commission, rules and
6 regulations necessary to effectuate the purposes of this act
7 including, but not limited to:

8 a. The establishment of additional eligibility requirements for
9 health and life insurance under the plans;

10 b. The methods by which the division shall notify the private
11 insurance carrier or carriers or servicing carrier or carriers of
12 the eligibility periods of unemployed individuals under the health
13 insurance plan, the life insurance plan, or both; and

14 c. Rules and procedures for the recovery of fraudulent and
15 nonfraudulent overpayments of benefits under the health
16 insurance plan, the life insurance plan, or both.

17 8. (New section) Trust fund. a. There is created a fund,
18 which shall be known and may be cited as the New Jersey
19 Unemployment Health and Life Insurance Trust Fund. The fund
20 shall be administered by the ²[division] State Treasurer ³[²] in
21 accordance with the directions of the Department of Labor and³
22 in consultation with the commission. All ²[sums provided to the
23 fund pursuant to R.S.43:21-7, all]² moneys appropriated to or
24 deposited in the fund, ²[and]² all interest accumulated on moneys
25 in the fund ², and all moneys received for the fund from any
26 other source² shall be used solely to: provide benefits under the
27 health and life insurance plans established by this act; reimburse
28 the ²[division] department² for costs arising from the
29 administration of the health and life insurance plans established
30 by this act; ²[reimburse private insurance carriers for an
31 overpayment of benefits;]² pay the private insurance carrier or
32 carriers or servicing carrier or carriers contracting with the
33 ²[division] department² to provide insurance coverage under this
34 act; reimburse employees for excess contributions to the fund;
35 and ²[reimburse] repay² the ²[unemployment compensation] loan
36 from the State disability benefits² fund ²as provided in section 14
37 of this act².

38 b. On March 1, 1990 and every six months thereafter, the
39 commissioner shall make a formal determination as to whether or

1 not the fund's reserves are adequate to provide coverage under
 2 the health and life insurance plans to unemployed individuals
 3 covered by this act during the 12-month period commencing
 4 three months prior to the date of the commissioner's
 5 determination. The determination shall be based upon the actual
 6 reserves of the fund, the projected revenue of the fund, and the
 7 projected expenses of the fund, including the actual costs of
 8 providing coverage under the health and life insurance plans and
 9 all administrative costs payable from the fund, during the
 10 12-month period commencing three months prior to the
 11 commissioner's determination. The commissioner shall
 12 immediately inform the Governor, the President of the Senate,
 13 ²[and]² the Speaker of the General Assembly ², the Senate
 14 Revenue, Finance and Appropriations Committee and the
 15 Assembly Appropriations Committee, or their successors,² of his
 16 determination. If the commissioner determines that the fund's
 17 reserves are not adequate to meet the projected expenses of the
 18 fund during the 12-month period commencing three months prior
 19 to the date of the commissioner's determination, the
 20 commissioner ², in consultation with the commission,² shall:

21 (1) Provide through an administrative order for an orderly
 22 reduction or suspension of coverage under the health and life
 23 insurance plans until the reserves in the fund are sufficient to
 24 provide coverage for a period of 12 consecutive months; or

25 (2) Request ²[that]² the ²[Legislature] ³[State Treasurer to
 26 review,²] Legislature³ and ²the² Governor ²to ³[approve, an²]³
 27 increase ³[²in the²]³ employee contributions to the fund
 28 ²required pursuant to subsection c. of this section ³[pursuant to
 29 the procedures set forth in subsection f. of this section²]³; or

30 (3) ²[Both] Proceed under both paragraphs (1) and (2) of this
 31 subsection².

32 ²The commissioner, as part of a formal determination, shall
 33 include an explanation of the commission's recommendations and
 34 his determination to implement an administrative order or
 35 request an increase in contributions ³, ³or both, as the case may
 36 be.

37 c. Beginning ³[the first day after enactment of this act] on
 38 January 1, 1989³, each worker shall contribute to the
 39 ³[unemployment health and life insurance fund] New Jersey

1 Unemployment Health and Life Insurance Trust Fund³ 0.125% of
2 the worker's wages as determined in accordance with paragraph 3
3 of subsection b. of R.S.43:21-7 regarding the worker's
4 employment with an employer.

5 d. Notwithstanding the provisions of any law to the contrary,
6 each employer shall: withhold in trust the amount of all workers'
7 contributions from their wages at the time wages are paid, show
8 the deduction on the payroll records, furnish the evidence thereof
9 to the workers as the controller may prescribe, and transmit all
10 contributions to the ³[office of the controller] department³ in a
11 manner and at the times that may be prescribed therefor. If any
12 employer fails to deduct the contributions of any workers at the
13 time their wages are paid, or fails to make a deduction therefor
14 at the time wages are paid for the next succeeding payroll period,
15 the employer solely shall be liable for those contributions
16 thereafter.

17 e. If an employee receives wages from more than one
18 employer during any calendar year, and the sum of the
19 employee's contributions deposited in the New Jersey
20 Unemployment Health and Life Insurance Trust Fund exceeds an
21 amount equal to 0.125% of the wages determined in accordance
22 with the provisions of paragraph 3 of subsection b. of R.S.43:21-7
23 during the calendar year beginning January 1, 1989 or any
24 calendar year thereafter, the employee shall be entitled to a
25 refund of the excess if a claim establishing the employee's right
26 to the refund is made ³[to the controller]³ within two years after
27 the end of the respective calendar year in which the wages are
28 received and which are the subject of the claim. The controller
29 shall refund any overpayment from the New Jersey
30 Unemployment Health and Life Insurance Trust Fund without
31 interest.

32 ³[f. Upon review of the State Treasurer and approval of the
33 Governor, the commissioner may increase the contributions
34 required pursuant to subsection c. of this section by an amount
35 not exceeding an additional 0.125% of the worker's wages. The
36 commissioner shall simultaneously reduce the contributions
37 required pursuant to subparagraph (C) of paragraph (1) of
38 subsection (d) of R.S.43:21-7 and subsection h. of section 4 of
39 P.L.1971, c.346 (C.43:21-7.3) by the same amount of the

1 contributions in subsection c. In the commissioner's request to
2 the State Treasurer and the Governor to increase employee
3 contributions, the commissioner shall provide information
4 concerning the amount of the increase and decrease in the
5 respective contributions, the effect of the increase and decrease
6 on the solvency of the respective funds, the effect of the loan
7 payment deferral provided for in section 14 of this act on the
8 solvency of the respective funds and the length of time the
9 increase and decrease will be in effect. Upon approval of the
10 Governor, the commissioner shall notify the President of the
11 Senate, the Speaker of the General Assembly, the Senate
12 Revenue, Finance and Appropriations Committee, and the
13 Assembly Appropriations Committee, or their successors, of the
14 actions to be implemented. The respective increase and decrease
15 shall be in effect for the time period approved by the
16 Governor.²³

17 9. (New section) Nonliability of state. Benefits shall be
18 deemed to be due and payable under this act only to the extent
19 provided in this act and to the extent that moneys are available
20 therefor to the credit of the fund, and neither the State, the
21 commission, nor any representative thereof shall be liable for any
22 amount in excess of those sums.

23 10. (New section) Claims. Claims for coverage ²[and],²
24 benefits ², and appeals of denials thereof² under the health and
25 life insurance plan shall be made in accordance with regulations
26 promulgated by ²the² commissioner ²[, and shall be filed,
27 determined, appealed, and reviewed in accordance with the
28 requirements established by R.S.43:21-6]² ³and in a manner
29 consistent with the requirements set forth in R.S.43:21-6³:

30 11. (New section) Penalties. a. A person who makes a false
31 statement or representation knowing it to be false or knowingly
32 fails to disclose a material fact, to obtain or increase any benefit
33 under the health insurance plan or life insurance plan, either for
34 himself or for any other person, shall be liable to a fine of
35 \$200.00 to be paid to the ²[division] department² for deposit in
36 the fund. Each such false statement or representation or failure
37 to disclose a material fact shall constitute a separate offense.
38 Upon refusal to pay any fine, it shall be recoverable in a civil
39 action by the ²[division] department² in the name of the State of

1 New Jersey. If liability for the payment of a fine as aforesaid
2 shall be determined, any person who shall have received any
3 benefits under the health insurance plan or the life insurance plan
4 by reason of the making of the false statements or
5 representations or failure to disclose a material fact, shall pay to
6 the ²[division] department² for deposit in the fund an amount
7 equal to the sum of any benefits received from the ²[division]
8 department for life insurance or premiums paid by the
9 department for health ³or life³ insurance on behalf of the
10 claimant², and the person shall not be entitled to any benefits
11 under this act until that person pays the fine, and reimburses the
12 ²[division] department².

13 b. Any employer or any officer or agent of any employer or
14 any other person who makes a false statement or representation
15 knowing it to be false or knowingly fails to disclose a material
16 fact, to prevent or reduce the benefits to any person entitled
17 thereto, or to avoid becoming or remaining subject to this act or
18 to avoid or reduce any contribution or other payment required
19 from an employee under this act, or who willfully fails or refuses
20 to withhold or transfer any contribution or other payment or to
21 furnish any report or information or to produce or permit the
22 inspection or copying of records as required under this act, shall
23 be liable to a fine of \$200.00 to be paid to the ²[division]
24 department² for deposit in the fund. Upon refusal to pay such
25 fine, the same shall be recovered in a civil action by the
26 ²[division] department² in the name of the State of New Jersey.

27 c. Any person who shall willfully violate any provision hereof
28 or any rule or regulation promulgated pursuant to this act, for
29 which a fine is neither prescribed herein nor provided by any
30 other applicable law, shall be liable to a fine of \$50.00 to be paid
31 to the ²[division] department² for deposit in the fund. Upon the
32 refusal to pay the fine, it shall be recovered in a civil action by
33 the ²[division] department² in the name of the State of New
34 Jersey.

35 d. Any person, employing unit, employer or entity violating
36 any provision of subsections a., b., ²[and] or² c. of this section
37 with intent to defraud the division shall, in addition to the
38 penalties hereinbefore described, be liable for each offense upon
39 conviction before any court of competent jurisdiction, to a fine

1 not to exceed \$250.00 or by imprisonment for a term not to
2 exceed 90 days, or both, at the discretion of the court. The fine
3 upon conviction shall be payable to the ²[division] department²
4 for deposit in the fund. Any penalties imposed by this subsection
5 shall be in addition to those otherwise prescribed by the
6 "unemployment compensation law," R.S.43:21-1 et seq.

7 12. R.S.43:21-7 is amended to read as follows:

8 R.S.43:21-7. Contributions. Employers other than
9 governmental entities, whose benefit financing provisions are set
10 forth in section 4 of P.L.1971, c.346 (C.43:21-7.3), and those
11 nonprofit organizations liable for payment in lieu of contributions
12 on the basis set forth in section 3 of P.L.1971, c.346
13 (C.43:21-7.2), shall pay to the controller for the Unemployment
14 Compensation Fund, contributions as set forth in subsections (a),
15 (b) and (c) hereof, and the provisions of subsections (d) and (e)
16 shall be applicable to all employers, consistent with the
17 provisions of the [Unemployment Compensation Law]
18 "unemployment compensation law" and the "Temporary
19 Disability Benefits Law."

(a) Payment.

21 (1) Contributions shall accrue and become payable by each
22 employer for each calendar year in which he is subject to this
23 chapter (R.S.43:21-1 et seq.), with respect to having individuals
24 in his employ during such calendar year, at the rates and on the
25 basis hereinafter set forth. Such contributions shall become due
26 and be paid by each employer to the controller for the fund, in
27 accordance with such regulations as may be prescribed, and shall
28 not be deducted, in whole or in part, from the remuneration of
29 individuals in his employ.

30 (2) In the payment of any contributions, a fractional part of a
31 cent shall be disregarded unless it amounts to \$0.005 or more, in
32 which case it shall be increased to \$0.01.

33 (b) Rate of contributions. Each employer shall pay the
34 following contributions:

35 (1) For the calendar year 1947, and each calendar year
36 thereafter, $2\frac{7}{10}\%$ of wages paid by him during each such
37 calendar year, except as otherwise prescribed by subsection (c) of
38 this section.

39 (2) The "wages" of any individual, with respect to any one

1 employer, as the term is used in this subsection (b) and in
subsections (c), (d) and (e) of this section 7, shall include the first
3 \$4,800.00 paid during calendar year 1975, for services performed
either within or without this State; provided that no contribution
5 shall be required by this State with respect to services performed
in another state if such other state imposes contribution liability
7 with respect thereto. If an employer (hereinafter referred to as a
successor employer) during any calendar year acquires
9 substantially all the property used in a trade or business of
another employer (hereinafter referred to as a predecessor), or
11 used in a separate unit of a trade or business of a predecessor,
and immediately after the acquisition employs in his trade or
13 business an individual who immediately prior to the acquisition
was employed in the trade or business of such predecessor, then,
15 for the purpose of determining whether the successor employer
has paid wages with respect to employment equal to the first
17 \$4,800.00 paid during calendar year 1975, any wages paid to such
individual by such predecessor during such calendar year and prior
19 to such acquisition shall be considered as having been paid by
such successor employer.

21 (3) For calendar years beginning on and after January 1, 1976,
the "wages" of any individual, as defined in the preceding
23 paragraph (2) of this subsection (b), shall be established and
promulgated by the Commissioner of Labor on or before
25 September 1 of the preceding year and shall be 28 times the
Statewide average weekly remuneration paid to workers by
27 employers, as determined under R.S.43:21-3(c)(3), raised to the
next higher multiple of \$100.00 if not already a multiple thereof,
29 provided that if the amount of wages so determined for a
calendar year is less than the amount similarly determined for
31 the preceding year, the greater amount will be used; provided,
further, that if the amount of such wages so determined does not
33 equal or exceed the amount of wages as defined in subsection (b)
of section 3306 of the "Federal Unemployment Tax Act," chapter
35 23 of the Internal Revenue Code of ²[1954] 1986² (26 U.S.C.
§3306), the wages as determined in this paragraph in any calendar
37 year shall be raised to equal the amount established under the
Federal Unemployment Tax Act for that calendar year.

39 (c) Future rates based on benefit experience.

1 (1) A separate account for each employer shall be maintained
and this shall be credited with all the contributions which he has
3 paid on his own behalf on or before January 31 of any calendar
year with respect to employment occurring in the preceding
5 calendar year; provided, however, that if January 31 of any
calendar year falls on a Saturday or Sunday, an employer's
7 account shall be credited as of January 31 of such calendar year
with all the contributions which he has paid on or before the next
9 succeeding day which is not a Saturday or Sunday. But nothing in
this chapter (R.S.43:21-1 et seq.) shall be construed to grant any
11 employer or individuals in his service prior claims or rights to the
amounts paid by him into the fund either on his own behalf or on
13 behalf of such individuals. Benefits paid with respect to benefit
years commencing on and after January 1, 1953, to any individual
15 on or before December 31 of any calendar year with respect to
unemployment in such calendar year and in preceding calendar
17 years shall be charged against the account or accounts of the
employer or employers in whose employment such individual
19 established base weeks constituting the basis of such benefits.
Benefits paid under a given benefit determination shall be
21 charged against the account of the employer to whom such
determination relates. When each benefit payment is made,
23 either a copy of the benefit check or other form of notification
shall be promptly sent to the employer against whose account the
25 benefits are to be charged. Such copy or notification shall
identify the employer against whose account the amount of such
27 payment is being charged, shall show at least the name and social
security account number of the claimant and shall specify the
29 period of unemployment to which said check applies. If the total
amount of benefits paid to a claimant and charged to the account
31 of the appropriate employer exceeds 50% of the total base year,
base week wages paid to the claimant by that employer, then
33 such employer shall have canceled from his account such excess
benefit charges as specified above.

35 Each employer shall be furnished an annual summary statement
of benefits charged to his account.

37 (2) Regulations may be prescribed for the establishment,
maintenance, and dissolution of joint accounts by two or more
39 employers, and shall, in accordance with such regulations and

1 upon application by two or more employers to establish such an
account, or to merge their several individual accounts in a joint
3 account, maintain such joint account as if it constituted a single
employer's account.

5 (3) No employer's rate shall be lower than 5.4% unless
assignment of such lower rate is consistent with the conditions
7 applicable to additional credit allowance for such year under
section 3303(a)(1) of the Internal Revenue Code (26 U.S.C.
9 §3303(a)(1)), any other provision of this section to the contrary
notwithstanding.

11 (4) Employer Reserve Ratio. (A) Each employer's rate shall
be 2 8/10%, except as otherwise provided in the following
13 provisions. No employer's rate for the 12 months commencing
July 1 of any calendar year shall be other than 2 8/10%, unless as
15 of the preceding January 31 such employer shall have paid
contributions with respect to wages paid in each of the three
17 calendar years immediately preceding such year, in which case
such employer's rate for the 12 months commencing July 1 of
19 any calendar year shall be determined on the basis of his record
up to the beginning of such calendar year. If, at the beginning of
21 such calendar year, the total of all his contributions, paid on his
own behalf, for all past years exceeds the total benefits charged
23 to his account for all such years, his contribution rate shall be:

(1) 2 5/10%, if such excess equals or exceeds 4%, but less than
25 5%, of his average annual payroll (as defined in paragraph (2),
subsection (a) of [section] R.S.43:21-19 [of this Title];

27 (2) 2 2/10%, if such excess equals or exceeds 5%, but is less
than 6%, of his average annual payroll;

29 (3) 1 9/10%, if such excess equals or exceeds 6%, but is less
than 7%, of his average annual payroll;

31 (4) 1 6/10%, if such excess equals or exceeds 7%, but is less
than 8%, of his average annual payroll;

33 (5) 1 3/10%, if such excess equals or exceeds 8%, but is less
than 9%, of his average annual payroll;

35 (6) 1%, if such excess equals or exceeds 9%, but is less than
10%, of his average annual payroll;

37 (7) 7/10 of 1%, if such excess equals or exceeds 10%, but is
less than 11%, of his average annual payroll;

39 (8) 4/10 of 1%, if such excess equals or exceeds 11% of his

1 average annual payroll.

(B) If the total of an employer's contributions, paid on his own
3 behalf, for all past periods for the purposes of this paragraph (4),
is less than the total benefits charged against his account during
5 the same period, his rate shall be:

(1) 4%, if such excess is less than 10% of his average annual
7 payroll;

(2) $4\frac{3}{10}\%$, if such excess equals or exceeds 10%, but is less
9 than 20%, of his average annual payroll;

(3) $4\frac{6}{10}\%$, if such excess equals or exceeds 20% of his
11 average annual payroll.

(C) Specially assigned rates. If no contributions were paid on
13 wages for employment in any calendar year used in determining
the average annual payroll of an employer eligible for an assigned
15 rate under this paragraph (4), the employer's rate shall be
specially assigned as follows: (i) if the reserve balance in its
17 account is positive, its assigned rate shall be the highest rate in
effect for positive balance accounts for that period, or 5.4%,
19 whichever is higher, and (ii) if the reserve balance in its account
is negative, its assigned rate shall be the highest rate in effect
21 for deficit accounts for that period.

(D) The contribution rates prescribed by subparagraphs (A) and
23 (B) of this paragraph (4) shall be increased or decreased in
accordance with the provisions of paragraph (5) of this subsection
25 (c) for experience rating periods through June 30, 1986.

(5) (A) Unemployment Trust Fund Reserve Ratio. If on March
27 31 of any calendar year the balance in the unemployment trust
fund equals or exceeds 4% but is less than 7% of the total taxable
29 wages reported to the controller as of that date in respect to
employment during the preceding calendar year, the contribution
31 rate, effective July 1 following, of each employer eligible for a
contribution rate calculation based upon benefit experience, shall
33 be increased by $\frac{3}{10}$ of 1% over the contribution rate otherwise
established under the provisions of paragraph (3) or (4) of this
35 subsection. If on March 31 of any calendar year the balance of
the unemployment trust fund exceeds $2\frac{1}{2}\%$ but is less than 4% of
37 the total taxable wages reported to the controller as of that date
in respect to employment during the preceding calendar year, the
39 contribution rate, effective July 1 following, of each employer

1 eligible for a contribution rate calculation based upon benefit
experience, shall be increased by 6/10 of 1% over the
3 contribution rate otherwise established under the provisions of
paragraph (3) or (4) of this subsection.

5 If on March 31 of any calendar year the balance of the
unemployment trust fund is less than 2½% of the total taxable
7 wages reported to the controller as of that date in respect to
employment during the preceding calendar year, the contribution
9 rate, effective July 1 following, of each employer (1) eligible for
a contribution rate calculation based upon benefit experience,
11 shall be increased by (i) 6/10 of 1% over the contribution rate
otherwise established under the provisions of paragraph (3), (4)(A)
13 or (4)(B) of this subsection, and (ii) an additional amount equal to
20% of the total rate established herein, provided, however, that
15 the final contribution rate for each employer shall be computed
to the nearest multiple of 1/10% if not already a multiple
17 thereof; (2) not eligible for a contribution rate calculation based
upon benefit experience, shall be increased by 6/10 of 1% over
19 the contribution rate otherwise established under the provisions
of paragraph (4) of this subsection. For the period commencing
21 July 1, 1984 and ending June 30, 1986, the contribution rate for
each employer liable to pay contributions under R.S.43:21-7 shall
23 be increased by a factor of 10% computed to the nearest multiple
of 1/10 % if not already a multiple thereof.

25 (B) If on March 31 of any calendar year the balance in the
unemployment trust fund equals or exceeds 10% but is less than
27 12 ½% of the total taxable wages reported to the controller as of
that date in respect to employment during the preceding calendar
29 year, the contribution rate, effective July 1 following, of each
employer eligible for a contribution rate calculation based upon
31 benefit experience, shall be reduced by 3/10 of 1% under the
contribution rate otherwise established under the provisions of
33 paragraphs (3) and (4) of this subsection; provided that in no event
shall the contribution rate of any employer be reduced to less
35 than 4/10 of 1%. If on March 31 of any calendar year the balance
in the unemployment trust fund equals or exceeds 12½% of the
37 total taxable wages reported to the controller as of that date in
respect to employment during the preceding calendar year, the
39 contribution rate, effective July 1 following, of each employer

1 eligible for a contribution rate calculation based upon benefit
2 experience, shall be reduced by 6/10 of 1% if his account for all
3 past periods reflects an excess of contributions paid over total
4 benefits charged of 3% or more of his average annual payroll,
5 otherwise by 3/10 of 1% under the contribution rate otherwise
6 established under the provisions of paragraphs (3) and (4) of this
7 subsection; provided that in no event shall the contribution rate
8 of any employer be reduced to less than 4/10 of 1%.

9 (C) The "balance" in the unemployment trust fund, as the term
10 is used in subparagraphs (A) and (B) above, shall not include
11 moneys credited to the State's account under section 903 of the
12 Social Security Act, as amended ([Title] 42[,], U.S. Code, [C.
13 §1103]), during any period in which such moneys are appropriated
14 for the payment of expenses incurred in the administration of
15 [Unemployment Compensation Law] "unemployment
16 compensation law."

17 (D) Prior to July 1 of each calendar year the controller shall
18 determine the Unemployment Trust Reserve Ratio, which shall be
19 calculated by dividing the balance of the unemployment trust
20 fund as of the prior March 31 by total taxable wages reported to
21 the controller by all employers as of March 31 with respect to
22 their employment during the last calendar year.

23 (E) With respect to experience rating years beginning on or
24 after July 1, 1986, the new employer rate or the unemployment
25 experience rate of an employer under this section shall be the
26 rate which appears in the column headed by the Unemployment
27 Trust Fund Reserve Ratio as of the applicable calculation date
28 and on the line with the Employer Reserve Ratio, as defined in
29 paragraph 4 of this subsection (R.S.43:21-7 (c)(4)), as set forth in
30 the following table:

EXPERIENCE RATING TAX TABLE
FUND RESERVE RATIO¹

Employer Reserve Ratio ²	10.00% and Over A	7.00% to 9.99% B	4.00% to 6.99% C	2.50% to 3.99% D	2.49% and Under E
Positive Reserve Ratio:					
17% and over	0.3	0.4	0.5	0.6	1.2
16.00% to 16.99%	0.4	0.5	0.6	0.6	1.2
15.00% to 15.99%	0.4	0.6	0.7	0.7	1.2
14.00% to 14.99%	0.5	0.6	0.7	0.8	1.2
13.00% to 13.99%	0.6	0.7	0.8	0.9	1.2
12.00% to 12.99%	0.6	0.8	0.9	1.0	1.2
11.00% to 11.99%	0.7	0.8	1.0	1.1	1.2
10.00% to 10.99%	0.9	1.1	1.3	1.5	1.6
9.00% to 9.99%	1.0	1.3	1.6	1.7	1.9
8.00% to 8.99%	1.3	1.6	1.9	2.1	2.3
7.00% to 7.99%	1.4	1.8	2.2	2.4	2.6
6.00% to 6.99%	1.7	2.1	2.5	2.8	3.0
5.00% to 5.99%	1.9	2.4	2.8	3.1	3.4
4.00% to 4.99%	2.0	2.6	3.1	3.4	3.7
3.00% to 3.99%	2.1	2.7	3.2	3.6	3.9
2.00% to 2.99%	2.2	2.8	3.3	3.7	4.0
1.00% to 1.99%	2.3	2.9	3.4	3.8	4.1
0.00% to 0.99%	2.4	3.0	3.6	4.0	4.3
Deficit Reserve Ratio:					
-0.00% to -2.99%	3.4	4.3	5.1	5.6	6.1
-3.00% to -5.99%	3.4	4.3	5.1	5.7	6.2
-6.00% to -8.99%	3.5	4.4	5.2	5.8	6.3
-9.00% to -11.99%	3.5	4.5	5.3	5.9	6.4
-12.00% to -14.99%	3.6	4.6	5.4	6.0	6.5
-15.00% to -19.99%	3.6	4.6	5.5	6.1	6.6
-20.00% to -24.99%	3.7	4.7	5.6	6.2	6.7
-25.00% to -29.99%	3.7	4.8	5.6	6.3	6.8
-30.00% to -34.99%	3.8	4.8	5.7	6.3	6.9
-35% and under	5.4	5.4	5.8	6.4	7.0
New Employer Rate	2.8	2.8	2.8	3.1	3.4

¹Fund balance as of March 31 as a percentage of taxable wages in the prior calendar year.

²Employer Reserve Ratio (Contributions minus benefits as a percentage of employer's taxable wages).

(F) With respect to experience rating years beginning on or after July 1, 1986, if the balance of the unemployment trust fund as of the prior March 31 is negative, the contribution rate for each employer liable to pay contributions, as computed under subparagraph (E) of this paragraph (5), shall be increased by a factor of 10% computed to the nearest multiple of 1/10 % if not already a multiple thereof.

1 (6) Additional contributions.

Notwithstanding any other provision of law, any employer who
3 has been assigned a contribution rate pursuant to subsection (c) of
this section for the year commencing July 1, 1948, and for any
5 year commencing July 1 thereafter, may voluntarily make
payment of additional contributions, and upon such payment shall
7 receive a recomputation of the experience rate applicable to such
employer, including in the calculation the additional contribution
9 so made. Any such additional contribution shall be made during
the 30-day period following the date of the mailing to the
11 employer of the notice of his contribution rate as prescribed in
this section, unless, for good cause, the time for payment has
13 been extended by the controller for not to exceed an additional
60 days; provided that in no event may such payments which are
15 made later than 120 days after the beginning of the year for
which such rates are effective be considered in determining the
17 experience rate for the year in which the payment is made. Any
employer receiving any extended period of time within which to
19 make such additional payment and failing to make such payment
timely shall pay, in addition to the required amount of additional
21 payment, a penalty of 5% thereof or \$5.00, whichever is greater,
not to exceed \$50.00. Any adjustment under this subsection shall
23 be made only in the form of credits against accrued or future
contributions.

25 (7) Transfers.

(A) Upon the transfer of the organization, trade or business, or
27 substantially all the assets of an employer to a successor in
interest, whether by merger, consolidation, sale, transfer,
29 descent or otherwise, the controller shall transfer the
employment experience of the predecessor employer to the
31 successor in interest, including credit for past years,
contributions paid, annual payrolls, benefit charges, et cetera,
33 applicable to such predecessor employer, pursuant to regulation,
if it is determined that the employment experience of the
35 predecessor employer with respect to the organization, trade,
assets or business which has been transferred may be considered
37 indicative of the future employment experience of the successor
in interest. Unless the predecessor employer was owned or
39 controlled (by legally enforceable means or otherwise), directly

1 or indirectly, by the successor in interest, or the predecessor
2 employer and the successor in interest were owned or controlled
3 (by legally enforceable means or otherwise), directly or
4 indirectly, by the same interest or interests, the transfer of the
5 employment experience of the predecessor shall not be effective
6 if such successor in interest, within four months of the date of
7 such transfer of the organization, trade, assets or business, or
8 thereafter upon good cause shown, files a written notice
9 protesting the transfer of the employment experience of the
10 predecessor employer.

11 (B) An employer who transfers part of his or its organization,
12 trade, assets or business to a successor in interest, whether by
13 merger, consolidation, sale, transfer, descent or otherwise, may
14 jointly make application with such successor in interest for
15 transfer of that portion of the employment experience of the
16 predecessor employer relating to the portion of the organization,
17 trade, assets or business transferred to the successor in interest,
18 including credit for past years, contributions paid, annual
19 payrolls, benefit charges, et cetera, applicable to such
20 predecessor employer. The transfer of employment experience
21 may be allowed pursuant to regulation only if it is found that the
22 employment experience of the predecessor employer with respect
23 to the portion of the organization, trade, assets or business which
24 has been transferred may be considered indicative of the future
25 employment experience of the successor in interest. Credit shall
26 be given to the successor in interest only for the years during
27 which contributions were paid by the predecessor employer with
28 respect to that part of the organization, trade, assets or business
29 transferred.

30 (C) A transfer of the employment experience in whole or in
31 part having become final, the predecessor employer thereafter
32 shall not be entitled to consideration for an adjusted rate based
33 upon his or its experience or the part thereof, as the case may be,
34 which has thus been transferred. A successor in interest to whom
35 employment experience or a part thereof is transferred pursuant
36 to this subsection shall, as of the date of the transfer of the
37 organization, trade, assets or business, or part thereof,
38 immediately become an employer if not theretofore an employer
39 subject to this chapter (R.S.43:21-1 et seq.).

1 (d) Contributions of workers, transfers to temporary disability
benefit fund ²and the New Jersey Unemployment Health and
3 Life Insurance Trust Fund².

4 (1) (A) For periods after January 1, 1975, each worker shall
5 contribute to the fund 1% of his wages with respect to his
employment with an employer, which occurs on and after January
7 1, 1975, after such employer has satisfied the condition set forth
in subsection (h) of [section] R.S.43:21-19 [of this Title] with
9 respect to becoming an employer; provided, however, that such
contributions shall be at the rate of $\frac{1}{2}$ of 1% of wages paid with
11 respect to employment while the worker is in the employ of the
State of New Jersey, or any governmental entity or
13 instrumentality which is an employer as defined under
R.S.43:21-19(h)(5), or is covered by an approved private plan
15 under the "Temporary Disability Benefits Law," or while the
worker is exempt from the provisions of the "Temporary
17 Disability Benefits Law," under section 7 of that law (C.43:21-31).

(B) Effective January 1, 1978 there shall be no contributions
19 by workers in the employ of any governmental or
nongovernmental employer electing or required to make
21 payments in lieu of contributions unless the employer is covered
by the State plan under the "Temporary Disability Benefits Law,"
23 (C.43:21-37 et seq.), and in that case contributions shall be at the
rate of $\frac{1}{2}$ of 1%, except that commencing July 1, 1986, workers
25 in the employ of any nongovernmental employer electing or
required to make payments in lieu of contributions shall be
27 required to make contributions to the fund at the same rate
prescribed for workers of other nongovernmental employers.

29 (C) Notwithstanding the above provisions of this paragraph (1),
on or after July 1, 1986 ²and ending on ³[the day of enactment
31 P.L....., c..... (C.....) (now pending before the Legislature as this
bill)]² December 31, 1988³, each worker shall contribute to the
33 fund 1.125% of wages paid with respect to his employment with a
governmental employer electing or required to pay contributions
35 or nongovernmental employer, including a nonprofit organization
which is an employer as defined under R.S.43:21-19(h)(6),
37 regardless of whether that nonprofit organization elects or is
required to finance its benefit costs with contributions to the
39 fund or by payments in lieu of contributions, after that employer

1 has satisfied the conditions set forth in subsection
2 R.S.43:21-19(h) [of this Title] with respect to becoming an
3 employer. Contributions, however, shall be at the rate of 0.625%
4 while the worker is covered by an approved private plan under the
5 "Temporary Disability Benefits Law," or while the worker is
6 exempt under section 7 of that law (C.43:21-31) or any other
7 provision of that law; provided that such contributions shall be at
8 the rate of 0.625% of wages paid with respect to employment
9 with the State of New Jersey or any other governmental entity or
10 instrumentality electing or required to make payments in lieu of
11 contributions and which is covered by the State plan under the
12 "Temporary Disability Benefits Law," except that, while the
13 worker is exempt from the provisions of the "Temporary
14 Disability Benefits Law," under section 7 of that law (C.43:21-31)
15 or any other provision of that law, or is covered for disability
16 benefits by an approved private plan of the employer, the
17 contributions to the fund shall be 0.125%.

18 ²Notwithstanding the provisions of this paragraph (1) and in
19 addition to the contributions made pursuant to section 8 of
20 P.L., c. (C.) (now pending before the Legislature as this
21 bill), on and after ³[the first day after enactment of that act]
22 January 1, 1989³, each worker shall contribute to the
23 unemployment compensation fund 1.0% of wages paid with
24 respect to the worker's employment with a governmental
25 employer electing or required to pay contributions or
26 nongovernmental employer, including a nonprofit organization
27 which is an employer as defined under paragraph 6 of subsection
28 h. of R.S.43:21-19, regardless of whether that nonprofit
29 organization elects or is required to finance its benefit costs with
30 contributions to the fund or by payments in lieu of contributions,
31 after that employer has satisfied the conditions set forth in
32 subsection h. of R.S.43:21-19 with respect to becoming an
33 employer. Contributions, however, shall be at the rate of 0.50%
34 while the worker is covered by an approved private plan under the
35 "Temporary Disability Benefits Law," P.L.1948, c.110
36 (C.43:21-25 et seq.) or while the worker is exempt under section
37 7 of P.L.1948, c.100 (C.43:21-31) or any other provision of that
38 law; provided that the contributions shall be at the rate of 0.50%
39 of wages paid with respect to employment with the State of New

1 Jersey or any other governmental entity or instrumentality
2 electing or required to make payments in lieu of contributions
3 and which is covered by the State plan under the "Temporary
4 Disability Benefits Law."²

5 (D) Each employer shall, notwithstanding any provision of law
6 in this State to the contrary, withhold in trust the amount of his
7 workers' contributions from their wages at the time such wages
8 are paid, shall show such deduction on his payroll records, shall
9 furnish such evidence thereof to his workers as the division or
10 controller may prescribe, and shall transmit all such
11 contributions, in addition to his own contributions, to the office
12 of the controller in such manner and at such times as may be
13 prescribed. If any employer fails to deduct the contributions of
14 any of his workers at the time their wages are paid, or fails to
15 make a deduction therefor at the time wages are paid for the
16 next succeeding payroll period, he alone shall thereafter be liable
17 for such contributions, and for the purpose of [section]
18 R.S.43:21-14 [of this Title], such contributions shall be treated as
19 employer's contributions required from him.

20 (E) As used in this chapter (R.S.43:21-1 et seq.), except when
21 the context clearly requires otherwise, the term "contributions"
22 shall include the contributions of workers pursuant to this section.

23 (2) (A) (Deleted by amendment, P.L.1984, c.24.)

24 (B) (Deleted by amendment, P.L.1984, c.24.)

25 (C) With respect to wages paid on and after January 1, 1975,
26 there shall be deposited in and credited to the State Disability
27 Benefits Fund, as established by law, one-half of all worker
28 contributions received by the controller upon which the rate of
29 contributions is 1%.

30 (D) All worker contributions received by the controller from
31 all employers electing or required to make payments in lieu of
32 contributions, upon which the rate of contribution is $\frac{1}{2}$ or 1%,
33 except the State of New Jersey or any other governmental entity
34 or instrumentality defined as an employer under
35 R.S.43:21-19(h)(5), unless the State of New Jersey or such other
36 governmental entity or instrumentality is a "covered employer,"
37 as defined in R.S.43:21-27.

38 (E)(i) Notwithstanding the above with respect to wages on or
39 after July 1, 1986, there shall be deposited in and credited to the

1 State Disability Benefits Fund $\frac{4}{9}$ of all worker contributions
 2 received by the controller upon which the rate of contribution is
 3 1.125% and $\frac{4}{5}$ of the contributions received by the controller
 4 upon which the rate of contribution is 0.625% of wages paid with
 5 respect to employment with the State of New Jersey or any other
 6 governmental entity or instrumentality electing or required to
 7 make payments in lieu of contributions and which is covered by
 8 the State plan under the "Temporary Disability Benefits Law."

9 (ii) Notwithstanding the provisions of this paragraph (2) with
 10 respect to wages on or after ²[January 1, 1988] ³[the first day
 11 after enactment of P.L....., c..... (C.....) (now pending before the
 12 Legislature as this bill)²] January 1, 1989³, there shall be
 13 deposited in and credited to the ²[New Jersey Unemployment
 14 Health and Life Insurance Trust Fund, created pursuant to section
 15 8 of this amendatory and supplementary act, 1/9] State disability
 16 benefits fund $\frac{1}{2}$ ² of all worker contributions received by the
 17 controller upon which the rate of contribution is ²[1.125%] 1.0%²
 18 and ²[$\frac{1}{5}$] all² of the contributions received by the controller
 19 upon which the rate of contribution is ²[0.625% and 100% of the
 20 contributions received by the controller upon which the rate of
 21 contributions is 0.125%] 0.50%² of wages paid with respect to
 22 employment with the State of New Jersey or any other
 23 governmental entity or instrumentality electing or required to
 24 make payments in lieu of contributions and which is covered by
 25 the State plan under the "Temporary Disability Benefits Law,"
 26 P.L.1948, c.110 (C.43:21-25 et seq.). ³[²Any reduction in
 27 contributions approved as provided in the procedures in
 28 subsection f. of section 8 of P.L....., c..... (C.....) (now pending
 29 before the Legislature as this bill) shall not be from the 0.50% of
 30 wages paid with respect to any employment in the State covered
 31 by the State plan under the "Temporary Disability Benefits
 32 Law."]²³

33 (3)²[(A)]² If an employee receives wages from more than one
 34 employer during any calendar year, and either the sum of his
 35 contributions deposited in and credited to the State Disability
 36 Benefits Fund (in accordance with paragraph (2) of this
 37 subsection) plus the amount of his contributions, if any, required
 38 towards the costs of benefits under one or more approved private
 39 plans under the provisions of section 9 of the "Temporary

1 Disability Benefits Law," (C.43:21-33) and deducted from his
wages, or the sum of such latter contributions, if the employee is
3 covered during such calendar year only by two or more private
plans, exceeds an amount equal to $\frac{1}{2}$ of 1% of the "wages"
5 determined in accordance with the provisions of R.S.43:21-7(b)(3)
during the calendar years beginning on or after January 1, 1976,
7 the employee shall be entitled to a refund of the excess if he
makes a claim to the controller within two years after the end of
9 the calendar year in which the wages are received with respect to
which the refund is claimed and establishes his right to such
11 refund. Such refund shall be made by the controller from the
State Disability Benefits Fund. No interest shall be allowed or
13 paid with respect to any such refund. The controller shall, in
accordance with prescribed regulations, determine the portion of
15 the aggregate amount of such refunds made during any calendar
year which is applicable to private plans for which deductions
17 were made under section 9 of the "Temporary Disability Benefits
Law," such determination to be based upon the ratio of the
19 amount of such wages exempt from contributions to such fund, as
provided in subparagraph (B) of paragraph (1) of this subsection
21 with respect to coverage under private plans, to the total wages
so exempt plus the amount of such wages subject to contributions
23 to the disability benefits fund, as provided in subparagraph (B) of
paragraph (2) of this subsection. The controller shall, in
25 accordance with prescribed regulations, prorate the amount so
determined among the applicable private plans in the proportion
27 that the wages covered by each plan bear to the total private
plan wages involved in such refunds, and shall assess against and
29 recover from the employer, or the insurer if the insurer has
indemnified the employer with respect thereto, the amount so
31 prorated. The provisions of R.S.43:21-14 with respect to
collection of employer contributions shall apply to such
33 assessments. The amount so recovered by the controller shall be
paid into the State Disability Benefits Fund.

35 2[(B) If an employee receives wages from more than one
37 employer during any calendar year, and the sum of his
contributions deposited in and credited to the New Jersey
39 Unemployment Health and Life Insurance Trust Fund, (in
accordance with paragraph (2) of this subsection), exceeds an

1 amount equal to 0.125% of the "wages" determined in accordance
2 with the provisions of paragraph (3) of subsection (b) of
3 R.S.43:21-7 during the calendar years beginning on or after
4 January 1, 1989, the employee shall be entitled to a refund of the
5 excess if he makes a claim to the controller within two years
6 after the end of the calendar year in which the wages are
7 received with respect to which the refund is claimed and
8 establishes his right to that refund. The refund shall be made by
9 the controller from the New Jersey Unemployment Health and
10 Life Insurance Trust Fund. No interest shall be allowed or paid
11 with respect to any refund.

(C) If an employee receives wages from an employer and has
12 been a resident of another state or jurisdiction for the entire
13 calendar year, the employee shall be entitled to a refund of the
14 contributions, and any excess contributions, made by the
15 employee to the New Jersey Unemployment Health and Life
16 Insurance Trust Fund if the employee makes a claim to the
17 controller within two years after the end of the calendar year in
18 which the wages are received with respect to which the refund is
19 claimed and establishes his right to that refund. The refund shall
20 be made by the controller from the New Jersey Unemployment
21 Health and Life Insurance Trust Fund. No interest shall be
22 allowed or paid with respect to any refund.²

(4) If an individual does not receive any wages from the
23 employing unit which for the purposes of this chapter
24 (R.S.43:21-1 et seq.) is treated as his employer, or receives his
25 wages from some other employing unit, such employer shall
26 nevertheless be liable for such individual's contributions in the
27 first instance; and after payment thereof such employer may
28 deduct the amount of such contributions from any sums payable
29 by him to such employing unit, or may recover the amount of
30 such contributions from such employing unit, or, in the absence of
31 such an employing unit, from such individual, in a civil action;
32 provided proceedings therefor are instituted within three months
33 after the date on which such contributions are payable. General
34 rules shall be prescribed whereby such an employing unit may
35 recover the amount of such contributions from such individuals in
36 the same manner as if it were the employer.

37 (5) Every employer who has elected to become an employer
38
39

1 subject to this chapter (R.S.43:21-1 et seq.), or to cease to be an
2 employer subject to this chapter (R.S.43:21-1 et seq.), pursuant
3 to the provisions of [section] R.S.43:21-8 [of this Title], shall post
4 and maintain printed notices of such election on his premises, of
5 such design, in such numbers, and at such places as the director
6 may determine to be necessary to give notice thereof to persons
7 in his service.

8 (6) Contributions by workers, payable to the controller as
9 herein provided, shall be exempt from garnishment, attachment,
10 execution, or any other remedy for the collection of debts.

11 (e) Contributions by employers to State Disability Benefits
12 Fund.

13 (1) Except as hereinafter provided, each employer shall, in
14 addition to the contributions required by subsections (a), (b), and
15 (c) of this section, contribute $\frac{1}{2}$ of 1% of the wages paid by such
16 employer to workers with respect to employment unless he is not
17 a covered employer as defined in section 3 of the "Temporary
18 Disability Benefits Law," (C.43:21-27 (a)), except that the rate
19 for the State of New Jersey shall be $\frac{1}{10}$ of 1% for the calendar
20 year 1980 and for the first six months of 1981. Prior to July 1,
21 1981 and prior to July 1 each year thereafter, the controller shall
22 review the experience accumulated in the account of the State of
23 New Jersey and establish a rate for the next following fiscal year
24 which, in combination with worker contributions, will produce
25 sufficient revenue to keep the account in balance; except that
26 the rate so established shall not be less than $\frac{1}{10}$ of 1%. Such
27 contributions shall become due and be paid by the employer to
28 the controller for the State Disability Benefits Fund as
29 established by law, in accordance with such regulations as may be
30 prescribed, and shall not be deducted, in whole or in part, from
31 the remuneration of individuals in his employ. In the payment of
32 any contributions, a fractional part of a cent shall be disregarded
33 unless it amounts to \$0.005 or more, in which case it shall be
34 increased to \$0.01.

35 (2) During the continuance of coverage of a worker by an
36 approved private plan of disability benefits under the "Temporary
37 Disability Benefits Law," the employer shall be exempt from the
38 contributions required by subparagraph (1) above with respect to
39 wages paid to such worker.

1 (3) (A) The rates of contribution as specified in subparagraph
2 (1) above shall be subject to modification as provided herein with
3 respect to employer contributions due on and after July 1, 1951.

4 (B) A separate disability benefits account shall be maintained
5 for each employer required to contribute to the State Disability
6 Benefits Fund and such account shall be credited with
7 contributions deposited in and credited to such fund with respect
8 to employment occurring on and after January 1, 1949. Each
9 employer's account shall be credited with all contributions paid
10 on or before January 31 of any calendar year on his own behalf
11 and on behalf of individuals in his service with respect to
12 employment occurring in preceding calendar years; provided,
13 however, that if January 31 of any calendar year falls on a
14 Saturday or Sunday an employer's account shall be credited as of
15 January 31 of such calendar year with all the contributions which
16 he has paid on or before the next succeeding day which is not a
17 Saturday or Sunday. But nothing in this act shall be construed to
18 grant any employer or individuals in his service prior claims or
19 rights to the amounts paid by him to the fund either on his own
20 behalf or on behalf of such individuals. Benefits paid to any
21 covered individual in accordance with Article III of the
22 "Temporary Disability Benefits Law," on or before December 31
23 of any calendar year with respect to disability in such calendar
24 year and in preceding calendar years shall be charged against the
25 account of the employer by whom such individual was employed
26 at the commencement of such disability or by whom he was last
27 employed, if out of employment.

28 (C) The controller may prescribe regulations for the
29 establishment, maintenance, and dissolution of joint accounts by
30 two or more employers, and shall, in accordance with such
31 regulations and upon application by two or more employers to
32 establish such an account, or to merge their several individual
33 accounts in a joint account, maintain such joint account as if it
34 constituted a single employer's account.

35 (D) Prior to July 1 of each calendar year, the controller shall
36 make a preliminary determination of the rate of contribution for
37 the 12 months commencing on such July 1 for each employer
38 subject to the contribution requirements of this subsection (e).

39 (1) Such preliminary rate shall be $\frac{1}{2}$ of 1% unless on the

1 preceding January 31 of such year such employer shall have been
2 a covered employer who has paid contributions to the State
3 Disability Benefits Fund with respect to employment in the three
4 calendar years immediately preceding such year.

5 (2) If the minimum requirements in (1) above have been
6 fulfilled and the credited contributions exceed the benefits
7 charged by more than \$500.00, such preliminary rate shall be as
8 follows:

9 (i) $2/10$ of 1% if such excess over \$500.00 exceeds 1% but is
10 less than $1\frac{1}{4}\%$ of his average annual payroll (as defined in this
11 chapter (R.S.43:21-1 et seq.);

12 (ii) $15/100$ of 1% if such excess over \$500.00 equals or exceeds
13 $1\frac{1}{2}\%$ but is less than $1\frac{1}{2}\%$ of his average annual payroll;

14 (iii) $1/10$ of 1% if such excess over \$500.00 equals or exceeds
15 $1\frac{1}{2}\%$ of his average annual payroll.

16 (3) If the minimum requirements in (1) above have been
17 fulfilled and the contributions credited exceed the benefits
18 charged but by not more than \$500.00 plus 1% of his average
19 annual payroll, or if the benefits charged exceed the
20 contributions credited but by not more than \$500.00, the
21 preliminary rate shall be $\frac{1}{4}$ of 1%.

22 (4) If the minimum requirements in (1) above have been
23 fulfilled and the benefits charged exceed the contributions
24 credited by more than \$500.00, such preliminary rate shall be as
25 follows:

26 (i) $35/100$ of 1% if such excess over \$500.00 is less than $\frac{1}{4}$ of
27 1% of his average annual payroll;

28 (ii) $45/100$ of 1% if such excess over \$500.00 equals or exceeds
29 $\frac{1}{4}$ of 1% but is less than $\frac{1}{2}$ of 1% of his average annual payroll;

30 (iii) $55/100$ of 1% if such excess over \$500.00 equals or
31 exceeds $\frac{1}{2}$ of 1% but is less than $\frac{3}{4}$ of 1% of his average annual
32 payroll;

33 (iv) $65/100$ of 1% if such excess over \$500.00 equals or exceeds
34 $\frac{3}{4}$ of 1% but is less than 1% of his average annual payroll;

35 (v) $75/100$ of 1% if such excess over \$500.00 equals or exceeds
36 1% of his average annual payroll.

37 (5) Determination of the preliminary rate as specified in (2),
38 (3) and (4) above shall be subject, however, to the condition that
39 it shall in no event be decreased by more than $1/10$ of 1% of

1 wages or increased by more than $\frac{2}{10}$ of 1% of wages from the
preliminary rate determined for the preceding year in accordance
3 with (1), (2), (3) or (4), whichever shall have been applicable.

(E) (1) Prior to July 1 of each calendar year the controller
5 shall determine the amount of the State Disability Benefits Fund
as of December 31 of the preceding calendar year, increased by
7 the contributions paid thereto during January of the current
calendar year with respect to employment occurring in the
9 preceding calendar year. If such amount ²including the amount of
the loan from the fund not repaid from the New Jersey
11 Unemployment Health and Life Insurance Trust Fund² exceeds
the net amount withdrawn from the unemployment trust fund
13 pursuant to section 23 of the "Temporary Disability Benefits
Law," P.L.1948, c.110 (C.43:21-47) plus the amount at the end of
15 such preceding calendar year of the unemployment disability
account (as defined in section 22 of ²[said law] P.L.1948, c.110²
17 (C.43:21-46)), such excess shall be expressed as a percentage of
the wages on which contributions were paid to the State
19 Disability Benefits Fund on or before January 31 with respect to
employment in the preceding calendar year.

21 (2) The controller shall then make a final determination of the
rates of contribution for the 12 months commencing July 1 of
23 such year for employers whose preliminary rates are determined
as provided in (D) hereof, as follows:

25 (i) If the percentage determined in accordance with paragraph
(E)(1) of this subsection equals or exceeds $1\frac{1}{4}\%$, the final
27 employer rates shall be the preliminary rates determined as
provided in (D) hereof, except that if the employer's preliminary
29 rate is determined as provided in (D)(2) or (D)(3) hereof, the final
employer rate shall be the preliminary employer rate decreased
31 by such percentage of excess taken to the nearest $\frac{5}{100}$ of 1%,
but in no case shall such final rate be less than $\frac{1}{10}$ of 1%.

33 (ii) If the percentage determined in accordance with paragraph
(E)(1) of this subsection equals or exceeds $\frac{8}{4}$ of 1% and is less
35 than $1\frac{1}{4}$ of 1%, the final employer rates shall be the preliminary
employer rates.

37 (iii) If the percentage determined in accordance with
paragraph (E)(1) of this subsection is less than $\frac{3}{4}$ of 1%, but in
39 excess of $\frac{1}{4}$ of 1%, the final employer rates shall be the

1 preliminary employer rates determined as provided in (D) hereof
2 increased by the difference between $\frac{1}{4}$ of 1% and such
3 percentage taken to the nearest 5/100 of 1%; provided, however,
4 that no such final rate shall be more than $\frac{1}{4}$ of 1% in the case of
5 an employer whose preliminary rate is determined as provided in
6 (D)(2) hereof, more than $\frac{1}{2}$ of 1% in the case of an employer
7 whose preliminary rate is determined as provided in (D)(1) and
8 (D)(3) hereof, nor more than $\frac{1}{4}$ of 1% in the case of an employer
9 whose preliminary rate is determined as provided in (D)(4) hereof.

(iv) If the amount of the State Disability Benefits Fund
11 determined as provided in paragraph (E)(1) of this subsection is
12 equal to or less than $\frac{1}{4}$ of 1%, then the final rate shall be $\frac{2}{5}$ of
13 1% in the case of an employer whose preliminary rate is
14 determined as provided in (D)(2) hereof, $\frac{7}{10}$ of 1% in the case of
15 an employer whose preliminary rate is determined as provided in
16 (D)(1) and (D)(3) hereof, and 1 1% in the case of an employer
17 whose preliminary rate is determined as provided in (D)(4)
18 hereof. Notwithstanding any other provision of law or any
19 determination made by the controller with respect to any
20 12-month period commencing on July 1, 1970, the final rates for
21 all employers for the period beginning January 1, 1971, shall be as
22 set forth herein.

23 (cf: P.L.1984, c.24, s.5)

24 13. ²[Section 6 of P.L.1986, c.204 is amended to read as
25 follows:

26 6. For the periods beginning January or July of the hospitals'
27 rate year, the department shall determine a uniform Statewide
28 uncompensated care add-on. The commission shall approve the
29 add-on before it is included in hospital rates.

30 The add-on shall be determined by dividing the Statewide
31 amount of approved uncompensated care plus an amount adequate
32 to repay any direct appropriation of State funds pursuant to
33 section 12 of this act and to fund the reasonable cost of
34 administering the fund pursuant to subsection a. of section 4 of
35 this act and maintaining the reserve pursuant to subsection c. of
36 section 4 of this act, by the Statewide amount of approved
37 revenue for all payers and approved revenue for medically
38 indigent persons less the Statewide amount of approved
39 uncompensated care.

1 The add-on and any increases made to the add-on are an
allowable cost and shall be included as part of the hospital's
3 rates as established by the commission. However, the add-on
shall not apply to rates for health care services provided to
5 individuals insured under the "New Jersey Unemployment Health
and Life Insurance Act," P.L....., c..... (C.....) (now pending
7 before the Legislature as this bill), but shall be apportioned
equally among other payers, as defined in subsection f. of section
9 2 of P.L.1986, c.204.

(cf: P.L.1986, c.204, s.6)]

11 ³[(New section) a. On or before December 1, 1989, the
commissioner shall report to the Governor, the President of the
13 Senate, the Speaker of the General Assembly, the Senate
Revenue, Finance and Appropriations Committee and the
15 Assembly Appropriations Committee, or their successors,
concerning the progress in implementing the provisions of this
17 act. If available, the report shall include the results of the
advertisement for bids for private insurance carriers or servicing
19 carriers or both, the types of insurance coverage that may be
provided, a determination of whether or not the fund's reserves
21 are adequate to provide that coverage during the first 12 months
of coverage and economic projections on the adequacy of the
23 fund's reserves for seven years thereafter.

b. If the information concerning the results of the
25 advertisement for bids, the types of coverage and adequacy of
the fund reserves is not available on or before December 1, 1989,
27 the commissioner shall provide that information, as described in
subsection a. of this section, to the Governor, the President of
29 the Senate, the Speaker of the General Assembly, the Senate
Revenue, Finance and Appropriations Committee, and the
31 Assembly Appropriations Committee, or their successors on or
before the first day of the 12th month following enactment of
33 this act.²]

Section 6 of P.L.1989, c.1 (C.26:2H-18.9) is amended to read as
35 follows:

6. a. For the period beginning January or July of the hospitals'
37 rate year, the department shall determine a uniform Statewide
uncompensated care add-on. The commission shall approve the
39 add-on before it is included in hospital rates.

1 The add-on shall be determined by dividing the Statewide
 2 amount of approved uncompensated care plus an amount adequate
 3 to fund the reasonable cost of administering the fund pursuant to
 4 subsection a. of section 4 of [this act] P.L.1989, c.1
 5 (C.26:2H-18.7) and maintaining the reserve pursuant to
 6 subsection c. of section 4 of [this act], by the Statewide amount
 7 of approved revenue for all payers, less the amount of revenue
 8 received from the New Jersey Unemployment Health Insurance
 9 Plan established pursuant to section 4 of P.L., c. ... (C.
 10) (now pending in the Legislature as this bill), and approved
 11 revenue for medically indigent persons less the Statewide amount
 12 of approved uncompensated care.

13 The add-on and any increases made to the add-on are an
 14 allowable cost and shall be included as part of the hospital's
 15 rates as established by the commission.

16 b. The amount of money raised by the uniform Statewide
 17 uncompensated care add-on, as a percentage of all governmental
 18 and nongovernmental approved revenue, shall not exceed 13%.

19 c. The uniform Statewide uncompensated care add-on for
 20 patients whose hospital bills are paid by a health maintenance
 21 organization or another payer which has negotiated a discounted
 22 rate of payment with the hospital shall be based on the full rate
 23 of reimbursement for the services provided by the hospital to the
 24 patient under the hospital reimbursement system established
 25 pursuant to P.L.1978, c.83, rather than on the discounted rate of
 26 payment.

27 d. No provision of this section shall be construed to preclude
 28 the commission from approving individual hospital rate increases
 29 for uncompensated care in addition to the add-on. Such
 30 increases, however, shall not be paid from the moneys in the
 31 Uncompensated Care Trust Fund.

32 e. Notwithstanding any provision of P.L.1989, c.1
 33 (C.26:2H-18.4 et seq.) to the contrary, hospital bills covered by
 34 the New Jersey Unemployment Health Insurance Plan established
 35 pursuant to section 4 of P.L., c.... (C.) (now pending
 36 before the Legislature as this bill) shall not be subject to the
 37 uniform Statewide uncompensated care add on.³
 38 (cf: P.L.1989, c.1, s.6)

39 14. (New section) ²[Subject to the approval of the United

1 States Secretary of Labor, there] There² is appropriated to ²[the
2 New Jersey Unemployment Health and Life Insurance Trust Fund]
3 a special account which shall be established in the State of New
4 Jersey Cash Management Fund² from the ²[unemployment
5 compensation] State disability benefits² fund \$50,000,000.00 ²;
6 ³[Upon the approval of both the State Treasurer and the Joint
7 Budget Oversight Committee, or its successor, which approval
8 shall occur no earlier than the first day of the fifteenth month
9 following enactment of this act, all] The Commissioner of Labor
10 is authorized to draw from the³ moneys, including interest, in the
11 special account ³[shall be transferred to the New Jersey
12 Unemployment Health and Life Insurance Trust Fund²] any funds
13 that are necessary³ for the purpose of establishing the health
14 insurance and life insurance plans ²[created by] ³[under²]
15 authorized by³ this act. ²[However, the] The² New Jersey
16 Unemployment Health and Life Insurance Trust Fund shall
17 reimburse the ²[unemployment compensation] State disability
18 benefits² fund for the full amount of this appropriation ²without
19 interest, as provided herein². The reimbursement shall be made
20 in ten equal annual installments commencing January 31, 1991.
21 However, during any calendar year in which the commissioner ²,
22 in consultation with the commission,² determines under section 8
23 of this act that the fund's reserves are not adequate to meet the
24 projected expenses of the fund, the reimbursement shall be
25 delayed until the next following calendar year.

26 ²[A failure of the United States Secretary of Labor to approve
27 the appropriation provided in this section shall not prohibit the
28 implementation of any other section of this act.]

29 The ³health and life³ insurance coverage authorized pursuant
30 to this act shall ³[not]³ be provided ³[until the State Treasurer
31 and the committee have approved the transfer from the special
32 account to the New Jersey Unemployment Health and Life
33 Insurance Trust Fund. If the transfer is not approved, the
34 moneys, including interest, in the special account shall remit to
35 the State disability benefits fund. If the transfer is not approved,
36 any moneys, including interest, in the New Jersey Unemployment
37 Health and Life Insurance Trust Fund shall be remitted to the
38 unemployment compensation fund and the commissioner shall
39 provide that future contributions to the fund shall be remitted to

1 the unemployment compensation fund] beginning on July 1,
2 1990³.²
3 15. This act shall ²[become effective on January 1, 1989] take
4 effect immediately ³and shall apply to all employment occurring
5 on or after January 1, 1989³, but ²insurance² coverage under
6 sections 4 and 5 shall not be provided ²[until July 1, 1990] before
7 ³[the first day of the nineteenth month following enactment²
8 July 1, 1990³.

9

11

LABOR AND EMPLOYMENT

Unemployment Compensation

13

14 Establishes New Jersey Health and Life Insurance Plan for
15 certain unemployed individuals; appropriates \$50 million.

New Jersey State Library

1 The amendments to the Act shall be effective on January 1, 1990.
2
3 10. This act shall be effective on January 1, 1990, and shall
4 effect immediate retroactive application to all employees who
5 on or after January 1, 1990, but before January 1, 1991, before
6 the first day of the month following such date.
7 July 1, 1990.

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ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR

ASSEMBLY, Nos. 2325 and 2359

STATE OF NEW JERSEY

DATED: MAY 23, 1988

The Assembly Appropriations Committee favorably reports Assembly Bill No. 2325/2359 (ACS).

Assembly Bill No. 2325/2359 (ACS), to be known as the "New Jersey Unemployment Health and Life Insurance Act," establishes two insurance plans to provide basic health and term life insurance to certain unemployed persons. The bill also creates the New Jersey Unemployment Health and Life Insurance Trust Fund to finance the plans. There is an appropriation of \$50 million, subject to the approval of the U.S. Secretary of Labor, from the unemployment compensation fund to the trust fund as a loan for start-up financing and a portion of employees' unemployment compensation fund contributions are diverted to the trust fund for on-going financing.

The insurance plans are to be administered by the Division of Unemployment Compensation and Temporary Disability Insurance. The New Jersey Unemployment Health and Life Insurance Commission is created by the bill to oversee the administration of the insurance plans. This 11-member commission consists of representatives recommended by private sector labor organizations, business and trade associations, associations of local and county government, public sector labor organizations, and, as ex officio members, the Commissioners of Labor and Insurance and the State Treasurer, or their designees.

The two insurance plans are funded by diverting a portion of the employees' current unemployment compensation contribution from the unemployment compensation fund to the New Jersey Unemployment Health and Life Insurance Trust Fund. The New Jersey Unemployment Health and Life Insurance Trust Fund will receive a portion of the contributions equal to 0.125% of the employee's taxable wages. Contributions to this trust fund are to commence on January 1, 1989, although coverage under the insurance plans will not begin until July 1, 1990.

To be eligible for coverage under the insurance plans, an individual must be unemployed and eligible to receive unemployment

compensation; not be eligible for health or life insurance benefits under any other insurance plan or public assistance program; be ineligible for temporary disability benefits; and be a resident of New Jersey or a state that has entered into a reciprocal agreement with New Jersey to provide health and life insurance coverage substantially identical with the coverage provided under the bill.

A specified waiting period is required before coverage can commence under either plan. The waiting period for an unemployed individual who files an initial unemployment compensation claim on or before the 20th day after termination is 30 days after the individual's date of termination. The waiting period for individuals filing an initial claim 21 days or more after the date of termination is 4 weeks after the date of the initial claim.

The bill also allows unemployed individuals to purchase continuation coverage, up to a maximum of 31 days, if the unemployed individual returns to employment and is not immediately eligible for coverage in his new job. To purchase this coverage, the individual is required to pay 104% of the applicable premium for the coverage provided.

The bill provides that the coverage under the insurance plans is to be provided through private insurance carriers or servicing carriers, selected by the commission through a competitive bidding process. The bill specifies certain included and excluded coverage under the health insurance plan, and specifies that the life insurance plan shall provide \$5,000 term life insurance.

The bill also requires the Commissioner of Labor to formally assess, at six-month intervals, the solvency of the New Jersey Unemployment Health and Life Insurance Trust Fund. If the commissioner determines that the reserves of the fund are not adequate to provide coverage under both plans, the commissioner is required to provide for an orderly suspension or reduction of coverage or request the Legislature and the Governor to increase employee contributions to the fund, or both.

FISCAL IMPACT

This bill appropriates \$50,000,000, subject to the approval of the U.S. Secretary of Labor, from the unemployment compensation fund to the New Jersey Unemployment Health and Life Insurance Trust Fund, to be used as start-up money for the insurance plans. This appropriation is provided as a loan to be repaid over a ten-year period commencing January 31, 1991.

On-going funding for the trust fund will be provided by diverting a portion of the employees' current unemployment compensation contribution equal to 0.125% of taxable wages from the unemployment compensation fund to the trust fund. The New Jersey Department of Labor estimates that this will provide approximately \$54 million to the trust fund in calendar year 1990, the first full year of payments to the fund.

On-going funding is a portion of the employee contribution, equal to the unemployment compensation rate. The Department of Labor estimates that this will provide approximately \$24 million to the first fund in year 1990, the first year of payments to the fund.

STATE OF NEW JERSEY

INTRODUCED MAY 2, 1988

By Senators COSTA and PATERNITI

1 AN ACT changing the definition of veteran to include certain
members of the American Merchant Marine and amending
3 various parts of the statutory law.

5 BE IT ENACTED by the Senate and General Assembly of the
State of New Jersey:

7 ²[1. N.J.S.11A:5-1 is amended to read as follows:

11A:5-1. Definitions. As used in this chapter:

9 a. "Disabled veteran" means any veteran who is eligible to be
compensated for a service-connected disability from war service
11 by the United States Veterans Administration or who receives or
is entitled to receive equivalent compensation for a
13 service-connected disability which arises out of military or naval
service as set forth in this chapter and who has submitted
15 sufficient evidence of the record of disability incurred in the line
of duty to the commissioner on or before the closing date for
17 filing an application for an examination;

b. "Veteran" means any honorably discharged soldier, sailor,
19 marine or nurse who served in any army or navy of the allies of
the United States in World War I, between July 14, 1914 and
21 November 11, 1918, or who served in any army or navy of the
allies of the United States in World War II, between September 1,
23 1939 and September 2, 1945 and who was inducted into that
service through voluntary enlistment, and was a citizen of the
25 United States at the time of the enlistment, and who did not
renounce or lose his or her United States citizenship; or any
27 soldier, sailor, marine, airman, nurse or army field clerk, who has
served in the active military or naval service of the United States
29 and has been discharged or released under other than dishonorable
conditions from that service in any of the following wars or
31 conflicts and who has presented to the commissioner sufficient
evidence of the record of service on or before the closing date
33 for filing an application for an examination:

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SSG committee amendments adopted June 30, 1988.

² Assembly AVA committee amendments adopted May 8, 1989.

1 (1) World War I, between April 6, 1917 and November 11, 1918;

2 (2) World War II, after September 16, 1940, who shall have
3 served at least 90 days beginning on or before September 2, 1945
4 in such active service, exclusive of any period [assigned] of
5 assignment for a course of education or training under the Army
6 Specialized Training Program or the Navy College Training
7 Program, which course was a continuation of a civilian course and
8 was pursued to completion, or as a cadet or midshipman at one of
9 the service academies; except that any person receiving an actual
10 service-incurred injury or disability shall be classed a veteran
11 whether or not that person has completed the 90-day service;

12 (3) Korean conflict, after June 23, 1950, who shall have served
13 at least 90 days beginning on or before July 27, 1953, in active
14 service, exclusive of any period [assigned] of assignment for a
15 course of education or training under the Army Specialized
16 Training Program or the Navy College Training Program, which
17 course was a continuation of a civilian course and was pursued to
18 completion, or as a cadet or midshipman at one of the service
19 academies; except that any person receiving an actual
20 service-incurred injury or disability shall be classed as a veteran,
21 whether or not that person has completed the 90-day service;

22 (4) Vietnam conflict, after December 31, 1960, who shall have
23 served at least 90 days beginning on or before August 1, 1974, in
24 active service, exclusive of any period [assigned] of assignment
25 for a course of education or training under the Army Specialized
26 Training Program or the Navy College Training Program, which
27 course was a continuation of a civilian course and was pursued to
28 completion, or as a cadet or midshipman at one of the service
29 academies, and exclusive of any service performed pursuant to
30 the provisions of section 511(d) of Title 10, United States Code,
31 or exclusive of any service performed pursuant to enlistment in
32 the National Guard or the Army Reserve, Naval Reserve, Air
33 Force Reserve, Marine Corps Reserve, or Coast Guard Reserve;
34 except that any person receiving an actual service-incurred
35 injury or disability shall be classed as a veteran, whether or not
36 that person has completed the 90-day service as provided;

37 "Veteran" also means any honorably discharged member of the
38 American Merchant Marine who served during World War II and is
39 declared by the United States Department of Defense to be

1 eligible for federal veterans' benefits:

2 c. "War service" means service by a veteran in any war or
3 conflict described in this chapter during the periods specified.
(cf: N.J.S.11A:5-1)]²

5 ²[2.] 1.² N.J.S.17B:28-3 is amended to read as follows:

6 17B:28-3. a. No agent or solicitor employed by an agent
7 heretofore or hereafter licensed shall be authorized to sell or act
8 or aid in any manner in the negotiation of a contract on a
9 variable basis until he has received a certificate to sell contracts
10 on a variable basis from the commissioner, which certificate shall
11 not be issued by the commissioner until such agent or solicitor
12 has qualified by personal examination, to the satisfaction of the
13 commissioner, as to his trustworthiness and competence to act as
14 such agent or solicitor.

15 b. Before a first-time applicant for a license to solicit and
16 negotiate contracts on a variable basis shall be admitted to the
17 examination, the applicant shall be required to concurrently hold
18 an agent's license granting authority to solicit and negotiate
19 contracts of life insurance in this State or hold a license to act as
20 a solicitor for such an agent. Application for a license must be
21 made on such forms as the commissioner may prescribe.

22 c. The examination fee shall be \$25.00 for each examination
23 scheduled and such examination fee shall not be returned for any
24 reason. The licensee fee shall be \$25.00. A renewal license shall
25 be issued biennially subject to the payment of the renewal license
26 fee as required by this section and upon request of the insurer.
27 Licenses issued in accordance with this section shall expire on
28 April 30 of each odd numbered year.

29 d. No written examination shall be required of:

30 (1) An applicant who is the holder of a valid agent's or
31 solicitor's license issued pursuant to this section by the
32 commissioner or an applicant for a renewal of such license,
33 except in a case where the commissioner has good and sufficient
34 cause to believe that the applicant for renewal has demonstrated
35 incompetence in the conduct of his business as such agent or
36 solicitor to the detriment of the public;

37 (2) An applicant whose license to do business as an agent or
38 solicitor issued pursuant to this section has expired less than 3
39 years prior to the date of application. If the applicant has

1 permitted his license to lapse for a period of more than 3 years
he must submit to and pass an examination in the same manner as
3 a new applicant, except where the applicant is a veteran who
meets the requirements of subsection (4) hereunder, when no
5 re-examination shall be required;

(3) An applicant whose previous license issued pursuant to this
7 section has been revoked or suspended; provided this examination
exemption is only at the discretion of the commissioner;

9 (4) An applicant who is a citizen of New Jersey and has served
in the Armed Forces of the United States, including a citizen of
11 New Jersey who served as a member of the American Merchant
Marine during World War II and is declared by the United States
13 Department of Defense to be eligible for federal veterans'
benefits, and has been honorably discharged or released under
15 conditions other than dishonorable and was the holder at any time
of a license in New Jersey which authorized the applicant to
17 solicit or negotiate contracts on a variable basis;

(5) Any individual seeking a variable license who, in the
19 discretion of the commissioner, has satisfied the requirements
and successfully passed all the examinations of the National
21 Association of Securities Dealers, required to secure a
registration to sell securities by the National Association of
23 Securities Dealers in compliance and conformity with the rules
and regulations promulgated by the Federal Securities and
25 Exchange Commission.

e. The commissioner may issue a nonresident agent's or
27 solicitor's license upon the application of a nonresident who is
duly licensed under the law of the state of his residence or
29 domicile to act as an agent or solicitor for contracts on a
variable basis if said state does not prohibit residents of this
31 State from acting as nonresident agents or solicitors therein,
when:

33 (1) The applicant has shown by a statement from the proper
official of the state in which he has his resident license that he is
35 authorized to do business as an agent or solicitor in such state
with authority for which the applicant is to be licensed under the
37 New Jersey nonresident license.

(2) The applicant has paid the annual license fee as provided
39 for in this section.

1 (3) The applicant has no place of business in this State.
2 (4) The commissioner may enter into reciprocal agreements
3 with the appropriate supervisory insurance official of any other
4 state waiving the written examination of any applicant resident
5 in such other state, provided:

6 (a) A written examination is required of applicants for an
7 agent's or solicitor's license in such other state.

8 (b) The appropriate supervisory insurance official of such other
9 state certifies that the applicant holds a currently valid license
10 as an agent or solicitor in such other state, and either.

11 (i) Passed a written examination,

12 (ii) Was the holder of an agent's or solicitor's license prior to
13 the time a written examination was required, or

14 (iii) Was not required to take such examination by reason of
15 provisions of the applicable agent's or solicitor's licensing law.

16 (c) That in such other state, a resident of this State is
17 privileged to procure such an agent's or solicitor's license upon
18 the foregoing conditions and without discrimination as to fees or
19 otherwise in favor of residents of such other state. If the laws of
20 another state require the sharing of commissions with resident
21 agents or solicitors of that state on applications for contracts on
22 a variable basis written by nonresident agent or solicitors, then
23 the same provision shall apply when resident agents or solicitors
24 of that state, licensed as nonresident agents or solicitors of New
25 Jersey write applications for contracts on a variable basis in this
26 State.

27 (cf: P.L.1983, c.533, s.21)

28 ²[3.] ^{2.2} Section 1 of P.L.1985, c.217 (C.18A:28-11.1) is
29 amended to read as follows:

30 1. In computing length of service for seniority purposes, every
31 teaching staff member who, after July 1, 1940, has served or
32 hereafter shall serve, in the active military or naval service of
33 the United States or of this State, including active service in the
34 women's army corps, the women's reserve of the naval reserve,
35 or any similar organization authorized by the United States to
36 serve with the army or navy, in time of war or an emergency, or
37 for or during any period of training, or pursuant to or in
38 connection with the operation of any system of selective service,
39 or who was a member of the American Merchant Marine during

1 World War II and is declared by the United States Department of
2 Defense to be eligible for federal veterans' benefits, shall be
3 entitled to receive equivalent years of employment or seniority
4 credit for that service as if the member had been employed for
5 the same period of time in some publicly owned and operated
6 college, school or institution of learning in this or any other state
7 or territory of the United States, except that the period of that
8 service shall not be credited toward more than four years of
9 employment or seniority credit. Any military or naval service
10 shall be credited towards this employment or seniority credit
11 including service that occurred prior to the member's
12 employment as a teaching staff member.

13 (cf: P.L.1985, c.217, s.1)

14 ²[4.] ^{3.2} N.J.S.18A:28-12 is amended to read as follows:

15 18A:28-12. If any teaching staff member shall be dismissed as
16 a result of such reduction, such person shall be and remain upon a
17 preferred eligible list in the order of seniority for reemployment
18 whenever a vacancy occurs in a position for which such person
19 shall be qualified and he shall be reemployed by the body causing
20 dismissal, if and when such vacancy occurs and in determining
21 seniority, and in computing length of service for reemployment,
22 full recognition shall be given to previous years of service, and
23 the time of service by any such person in or with the military or
24 naval forces of the United States or of this State, subsequent to
25 September 1, 1940, and the time of service of any member of the
26 American Merchant Marine during World War II who is declared
27 by the United States Department of Defense to be eligible for
28 federal veterans' benefits, shall be credited to him as though he
29 had been regularly employed in such a position within the district
30 during the time of such military or naval service, except that the
31 period of that service shall not be credited toward more than four
32 years of employment or seniority credit.

33 (cf: P.L.1985, c.217, s.2)

34 ²[5.] ^{4.2} N.J.S.18A:66-2 is amended to read as follows:

35 18A:66-2. Definitions

36 As used in this article:

37 a. "Accumulated deductions" means the sum of all the
38 amounts, deducted from the compensation of a member or
39 contributed by him or in his behalf, including interest credited to

1 January 1, 1956, standing to the credit of his individual account
in the annuity savings fund.

3 b. "Annuity" means payments for life derived from the
accumulated deductions of a member as provided in this article.

5 c. "Beneficiary" means any person receiving a retirement
allowance or other benefit as provided in this article.

7 d. "Compensation" means the contractual salary, for services
as a teacher as defined in this article, which is in accordance
9 with established salary policies of the member's employer for all
employees in the same position but shall not include individual
11 salary adjustments which are granted primarily in anticipation of
the member's retirement or additional remuneration for
13 performing temporary or extracurricular duties beyond the
regular school day or the regular school year.

15 e. "Employer" means the State, the board of education or any
educational institution or agency of or within the State by which
17 a teacher is paid.

f. "Final compensation" means the average annual
19 compensation for which contributions are made for the three
years of creditable service in New Jersey immediately preceding
21 his retirement or death, or it shall mean the average annual
compensation for New Jersey service for which contributions are
23 made during any three fiscal years of his or her membership
providing the largest possible benefit to the member or his
25 beneficiary.

g. "Fiscal year" means any year commencing with July 1, and
27 ending with June 30, next following.

h. "Pension" means payments for life derived from
29 appropriations made by the State or employers to the Teachers'
Pension and Annuity Fund.

31 i. "Annuity reserve" means the present value of all payments
to be made on account of any annuity or benefit in lieu of an
33 annuity, granted under the provisions of this article, computed on
the basis of such mortality tables recommended by the actuary as
35 the board of trustees adopts, with regular interest.

j. "Pension reserve" means the present value of all payments
37 to be made on account of any pension or benefit in lieu of a
pension granted to a member from the Teachers' Pension and
39 Annuity Fund, computed on the basis of such mortality tables

1 recommended by the actuary as the board of trustees adopts,
with regular interest.

3 k. "Present-entrant" means any member of the Teachers'
Pension and Annuity Fund who had established status as a
5 "present-entrant member" of said fund prior to January 1, 1956.

7 l. "Rate of contribution initially certified" means the rate of
contribution certified by the retirement system in accordance
with N.J.S.18A:66-29.

9 m. "Regular interest" shall mean interest as determined
annually by the State Treasurer after consultation with the
11 directors of the Divisions of Investment and Pensions and the
actuary of the fund. It shall bear a reasonable relationship to the
13 percentage rate of earnings on investments but shall not exceed
105% of such percentage rate.

15 n. "Retirement allowance" means the pension plus the annuity.

17 o. "School service" means any service as a "teacher" as
defined in this section.

p. "Teacher" means any regular teacher, special teacher,
19 helping teacher, teacher clerk, principal, vice-principal,
supervisor, supervising principal, director, superintendent, city
21 superintendent, assistant city superintendent, county
superintendent, State Commissioner or Assistant Commissioner
23 of Education, members of the State Department of Education
who are certificated, unclassified professional staff and other
25 members of the teaching or professional staff of any class, public
school, high school, normal school, model school, training school,
27 vocational school, truant reformatory school, or parental school,
and of any and all classes or schools within the State conducted
29 under the order and superintendence, and wholly or partly at the
expense of the State Board of Education, of a duly elected or
31 appointed board of education, board of school directors, or board
of trustees of the State or of any school district or normal school
33 district thereof, and any persons under contract or engagement to
perform one or more of these functions. No person shall be
35 deemed a teacher within the meaning of this article who is a
substitute teacher. In all cases of doubt the board of trustees
37 shall determine whether any person is a teacher as defined in this
article.

39 q. "Teachers' Pension and Annuity Fund," hereinafter referred

1 to as the "retirement system," is the corporate name of the
2 arrangement for the payment of retirement allowances and other
3 benefits under the provisions of this article, including the several
4 funds placed under said system. By that name all its business
5 shall be transacted, its funds invested, warrants for money drawn,
6 and payments made and all of its cash and securities and other
7 property held.

8 r. "Veteran" means any honorably discharged officer, soldier,
9 sailor, airman, marine or nurse who served in any Army, Air
10 Force or Navy of the Allies of the United States in World War I
11 between July 14, 1914, and November 11, 1918, or who served in
12 any Army, Air Force or Navy of the Allies of the United States in
13 World War II, between September 1, 1939, and September 2, 1945,
14 and who was inducted into such service through voluntary
15 enlistment, and was a citizen of the United States at the time of
16 such enlistment, and who did not, during or by reason of such
17 service, renounce or lose his United States citizenship, and any
18 officer, soldier, sailor, marine, airman, nurse or army field clerk
19 who has served in the active military or naval service of the
20 United States and has or shall be discharged or released
21 therefrom under conditions other than dishonorable, in any of the
22 following wars, uprisings, insurrections, expeditions or
23 emergencies, and who has presented to the retirement system
24 evidence of such record of service in form and content
25 satisfactory to said retirement system:

26 (1) The Indian wars and uprisings during any of the periods
27 recognized by the War Department of the United States as
28 periods of active hostility;

29 (2) The Spanish-American War between April 20, 1898, and
30 April 11, 1899;

31 (3) The Philippine insurrections and expeditions during the
32 periods recognized by the War Department of the United States
33 as of active hostility from February 4, 1899, to the end of 1913;

34 (4) The Peking relief expedition between June 20, 1900, and
35 May 27, 1902;

36 (5) The army of Cuban occupation between July 18, 1898, and
37 May 20, 1902;

38 (6) The army of Cuban pacification between October 6, 1906,
39 and April 1, 1909;

1 (7) The Mexican punitive expedition between March 14, 1916,
and February 7, 1917;

3 (8) The Mexican border patrol, having actually participated in
engagements against Mexicans between April 12, 1911, and June
5 16, 1919;

(9) World War I, between April 6, 1917, and November 11, 1918;

7 (10) World War II, between September 16, 1940, and September
2, 1945, who shall have served at least 90 days in such active
9 service, exclusive of any period he was assigned (1) for a course
of education or training under the Army Specialized Training
11 Program or the Navy College Training Program, which course was
a continuation of his civilian course and was pursued to
13 completion, or (2) as a cadet or midshipman at one of the service
academies, any part of which 90 days was served between said
15 dates; provided that any person receiving an actual
service-incurred injury or disability shall be classed as a veteran,
17 whether or not he has completed the 90-day service as herein
provided;

19 (11) Korean conflict after June 23, 1950, and ¹on or ¹prior to
July 27, 1953, who shall have served at least 90 days in such
21 active service, exclusive of any period he was assigned (1) for a
course of education or training under the Army Specialized
23 Training Program or the Navy College Training Program, which
course was a continuation of his civilian course and was pursued
25 to completion, or (2) as a cadet or midshipman at one of the
service academies, any part of which 90 days was served between
27 said dates; provided that any person receiving an actual
service-incurred injury or disability shall be classed as a veteran,
29 whether or not he has completed the 90-day service as herein
provided; and provided further that any member classed as a
31 veteran pursuant to this subsection prior to August 1, 1966, shall
continue to be classed as a veteran, whether or not he completed
33 the 90-day service between said dates as herein provided;

(12) Vietnam conflict, after December 31, 1960, and ¹on or ¹
35 prior to ¹[the date of termination as proclaimed by the Governor]
August 1, 1974¹, who shall have served at least 90 days in such
37 active service, exclusive of any period he was assigned (1) for a
course of education or training under the Army Specialized
39 Training Program or the Navy College Training Program, which

1 course was a continuation of his civilian course and was pursued
to completion, or (2) as a cadet or midshipman at one of the
3 service academies, any part of which 90 days was served between
said dates; and exclusive of any service performed pursuant to
5 the provisions of section 511(d) of Title 10, United States Code,
pursuant to an enlistment in the Army National Guard or as a
7 reserve for service in the Army Reserve, Naval Reserve, Air
Force Reserve, Marine Corps Reserve, or Coast Guard Reserve;
9 provided that any person receiving an actual service-incurred
injury or disability shall be classed as a veteran, whether or not
11 he has completed the 90-day service as herein provided.

"Veteran" also means any honorably discharged member of the
13 American Merchant Marine who served during World War II and is
declared by the United States Department of Defense to be
15 eligible for federal veterans' benefits.

s. "Child" means a deceased member's unmarried child either
17 (a) under the age of 18 or (b) of any age who, at the time of the
member's death, is disabled because of mental retardation or
19 physical incapacity, is unable to do any substantial, gainful work
because of the impairment and his impairment has lasted or can
21 be expected to last for a continuous period of not less than 12
months, as affirmed by the medical board.

t. "Widower" means the man to whom a member was married
23 at least five years before the date of her death and to whom she
continued to be married until the date of her death and who was
25 receiving at least one-half of his support from the member in the
27 12-month period immediately preceding the member's death or
the accident which was the direct cause of the member's death.
29 The dependency of such a widower will be considered terminated
by marriage of the widower subsequent to the death of the
31 member. In the event of the payment of an accidental death
benefit, the five-year qualification shall be waived.

u. "Widow" means the woman to whom a member was married
33 at least five years before the date of his death and to whom he
continued to be married until the date of his death and who was
35 receiving at least one-half of her support from the member in the
37 12-month period immediately preceding the member's death or
the accident which was the direct cause of the member's death.
39 The dependency of such a widow will be considered terminated by

1 the marriage of the widow subsequent to the member's death. In
2 the event of the payment of an accidental death benefit, the
3 five-year qualification shall be waived.

4 v. "Parent" means the parent of a member who was receiving
5 at least one-half of his support from the member in the 12-month
6 period immediately preceding the member's death or the
7 accident which was the direct cause of the member's death. The
8 dependency of such a parent will be considered terminated by
9 marriage of the parent subsequent to the death of the member.

10 w. "Medical board" means the board of physicians provided for
11 in N.J.S.18A:66-56.

(cf: P.L.1986, c.24, s.1)

12 2[6.] 5.2 N.J.S.18A:66-104 is amended to read as follows:

13 18A:66-104. "Veteran" means any honorably discharged
14 officer, soldier, sailor, airman, marine or nurse who served in any
15 army, air force or navy of the allies of the United States in world
16 war I, between July 14, 1914, and November 11, 1918, or who
17 served in any army, air force or navy of the allies of the United
18 States in world war II, between September 1, 1939, and
19 September 2, 1945, and who was inducted into such service
20 through voluntary enlistment, and was a citizen of the United
21 States at the time of such enlistment, and who did not, during or
22 by reason of such service, renounce or lose his United States
23 citizenship, and any officer, soldier, sailor, marine, airman, nurse
24 or army field clerk, who has served in the active military or naval
25 service of the United States and has or shall be discharged or
26 released therefrom under conditions other than dishonorable, in
27 any of the following wars, uprisings, insurrections, expeditions, or
28 emergencies, and who has presented to the board of trustees
29 evidence of such record of service in form and content
30 satisfactory to said board of trustees:

31 (a) The Indian wars and uprisings during any of the periods
32 recognized by the war department of the United States as periods
33 of active hostility;

34 (b) The Spanish-American war between April 20, 1898, and
35 April 11, 1899;

36 (c) The Philippine insurrections and expeditions during the
37 periods recognized by the war department of the United States as
38 of active hostility from February 4, 1899, to the end of 1913:
39

- 1 (d) The Peking relief expedition between June 20, 1900, and
May 27, 1902;
- 3 (e) The army of Cuban occupation between July 18, 1898, and
May 20, 1902;
- 5 (f) The army of Cuban pacification between October 6, 1906,
and April 1, 1909;
- 7 (g) The Mexican punitive expedition between March 14, 1916,
and February 7, 1917;
- 9 (h) The Mexican border patrol, having actually participated in
engagements against Mexicans between April 12, 1911, and June
11 16, 1919;
- (i) World war I, between April 6, 1917, and November 11, 1918;
- 13 (j) World war II, between September 16, 1940, and September
2, 1945, who shall have served at least 90 days in such active
15 service, exclusive of any period he was assigned (1) for a course
of education or training under the army specialized training
17 program or the navy college training program which course was a
continuation of his civilian course and was pursued to completion,
19 or (2) as a cadet or midshipman at one of the service academies
any part of which 90 days was served between said dates;
21 provided, that any person receiving an actual service incurred
injury or disability shall be classed as a veteran whether or not he
23 has completed the 90-day service as herein provided.
- (k) Emergency, at any time after June 23, 1950, and ¹on or ¹
25 prior to ¹[the date of termination, suspension or revocation of the
proclamation of the existence of a national emergency issued by
27 the president of the United States on December 16, 1950, or date
of termination of the existence of such national emergency by
29 appropriate action of the president or the congress of the United
States] January 31, 1955¹, who shall have served at least 90 days
31 in such active service, exclusive of any period he was assigned (1)
for a course of education or training under the army specialized
33 training program or the navy college training program which
course was a continuation of his civilian course and was pursued
35 to completion, or (2) as a cadet or midshipman at one of the
service academies, any part of which 90 days was served between
37 said dates; provided, that any person receiving an actual service
incurred injury or disability shall be classed as a veteran whether
39 or not he has completed the 90-day service as herein provided.

1 "Veteran" also means any honorably discharged member of the
2 American Merchant Marine who served during World War II and is
3 declared by the United States Department of Defense to be
4 eligible for federal veterans' benefits.

5 (cf: N.J.S.18A:66-104)

6 ²[7.] 6.² Section 1 of P.L.1945, c.202 (C.26:6-4.1) is amended
7 to read as follows:

8 1. On or before the tenth day of each month, the State
9 Department of Health shall certify to the supervisor of veterans'
10 interment in each of the respective counties of the State, the
11 name of each deceased veteran and of each deceased member of
12 the American Merchant Marine who served during World War II
13 and is declared by the United States Department of Defense to be
14 eligible for federal veterans' benefits for whom a certificate of
15 death, in which the place of burial, cremation or removal is
16 stated as being within such county, has been filed with the State
17 Department of Health during the preceding month, together with
18 the date and place of burial, cremation or removal of such
19 deceased veteran, and the war in which said deceased veteran
20 served.

21 (cf: P.L.1946, c.232, s.1)

22 ²[8.] 7.² Section 2 of P.L.1945, c.202 (C.26:6-4.2) is amended
23 to read as follows:

24 2. Whenever a dead body is transported from outside the State
25 into this State for burial or other final disposition in this State,
26 the person in charge of any premises in which the interment or
27 cremation of such dead body is made, shall make due and diligent
28 inquiry in order to determine whether the deceased person to be
29 interred or cremated was a veteran of any war or was a member
30 of the American Merchant Marine who served during World War II
31 and has been declared by the United States Department of
32 Defense to be eligible for federal veterans' benefits, and if so,
33 the war in which said deceased veteran served. If such interment
34 is made in a cemetery or burial ground having no person in charge
35 thereof, then the undertaker making the interment of such dead
36 body shall make such inquiry.

37 On or before the tenth day of each month the person in charge
38 of any such premises, or if the interment is made in a cemetery
39 or burial ground having no person in charge, then the undertaker

1 who made any such interment, shall certify to the supervisor of
2 veterans' interment in the county in which such interment or
3 cremation was made, the name of each deceased veteran who has
4 been interred or cremated in said premises during the preceding
5 month, together with the date and place of burial or cremation of
6 such deceased veteran, and the war in which said deceased
7 veteran served.

8 Any failure so to do on the part of the officers of any cemetery
9 association or the undertaker shall subject the violator to a
10 penalty of fifty dollars (\$50.00) to be recovered in a civil action
11 in the name of the supervisor of veterans' interment of any
12 county wherein the violation occurs.

13 (cf: P.L.1953, c.316, s.1)

14 ²[9.] §.2 Section 6 of P.L.1950, c.250 (C.27:7-44.8) is amended
15 to read as follows:

16 6. The State Highway Commissioner shall have power to sell
17 any or all lands acquired pursuant to this act, or any portion or
18 portions thereof, or any structure or structures relocated
19 thereon, or to rent the same for the use to which they were
20 devoted prior to such relocation; provided, however, that:

21 (a) All sales shall be at public auction;

22 (b) All rentals shall be made in the following order of
23 preference: to the original owner or user of a relocated structure
24 or structures; to an original user of a relocated structure or
25 structures; to an owner user of a structure or structures on the
26 property acquired for highway purposes, which was impractical to
27 remove; to a tenant of any structure or structures on the
28 property acquired for highway purposes; to any war veteran,
29 including any member of the American Merchant Marine during
30 World War II who is declared by the United States Department of
31 Defense to be eligible for federal veterans' benefits, residing in
32 the municipality in which the structure or structures was
33 relocated and who, under the Constitution, qualifies for tax
34 exemption, or the widow of such veteran. As between persons
35 within the same preference category, preference shall be
36 determined upon a competitive basis, if practicable; otherwise as
37 the commissioner shall determine. In the event that no person or
38 persons having preference as hereinabove provided, shall desire to
39 rent property acquired pursuant to this act, the State Highway

1 Commissioner may rent the same in whatever manner will, in his
judgment, best serve the interest of the State.

3 (cf: P.L.1950, c.250, s.6)

2[10.] 9.² Section 1 of P.L.1971, c.344 (C.30:6AA-1) is
5 amended to read as follows:

7 1. As used in this act, unless otherwise indicated by the
context:

a. "Commissioner" means the Commissioner of the State
9 Department of Institutions and Agencies.

b. "Council" means the Veterans' Facilities Council in the
11 State Department of Institutions and Agencies.

c. "Member" means a person admitted to and receiving care in
13 a veterans facility.

d. "Veteran" means a person who has been honorably
15 discharged from active military service of the United States, or a
person who has been honorably discharged from service as a
17 member of the American Merchant Marine during World War II
and is declared by the United States Department of Defense to be
19 eligible for federal veterans' benefits.

e. "Veterans facility" means any home, institution, hospital,
21 or part thereof, the admission to which is under the jurisdiction
of the State Department of Institutions and Agencies.

23 (cf: P.L.1973, c.281, s.1)

2[11.] 10.² R.S.38:16-1 is amended to read as follows:

25 38:16-1. No person now holding any employment, position or
office under the government of this State, or the government of
27 any county or municipality, including any person employed by a
school board or board of education, or who may hereafter be
29 appointed to any such employment, office or position, whose term
of employment, office or position is not now fixed by law, and
31 receiving a salary from such State, county or municipality,
including any person employed by a school board or board of
33 education, who has served as a soldier, sailor, marine or nurse, in
any war of the United States, or in the New Jersey State militia
35 during the period of the World War, or who served as a member of
the American Merchant Marine during World War II and is
37 declared by the United States Department of Defense to be
eligible for federal veterans' benefits, and has been honorably
39 discharged from the service of the United States or from such

1 militia, or from such merchant marine service, prior to or during
such employment in or occupancy of such position or office, shall
3 be removed from such employment, position or office, except for
good cause shown after a fair and impartial hearing, but such
5 person shall hold his employment, position or office during good
behavior, and shall not be removed for political reasons.

7 For the purposes of this section no term of office, position or
employment of any person shall be deemed to be fixed by law or
9 coterminous with that of the employing or appointing board or
body by reason of the fact that such person was or is appointed or
11 employed by a noncontinuous board or body; provided, however,
that in no event is it intended that this act shall apply to
13 appointments made for a fixed or stated period of time.

(cf: P.L.1942, c.83, s.1)

15 2[12.] 11.² Section 1 of P.L.1944, c.249 (C.38:16-4) is amended
to read as follows:

17 1. No person now holding any employment, position or office
under a commission, elected or appointed by the governing bodies
19 of two or more municipalities, which, by legislative authority,
have entered into an agreement for the election or appointment
21 of such commission, whose term of employment, office or
position is not now fixed by law, who has served as a soldier,
23 sailor, marine or nurse, in any war of the United States, or who
served as a member of the American Merchant Marine during
25 World War II and is declared by the United States Department of
Defense to be eligible for federal veterans' benefits, and has
27 been honorably discharged from the service of the United States,
prior to such employment in or occupancy of such position or
29 office, shall be removed from such employment, position or
office, except for good cause shown after a fair and impartial
31 hearing, but such person shall hold his employment, position or
office during good behavior, and shall not be removed for
33 political reasons.

For the purposes of this section no term of office, position or
35 employment of any person shall be deemed to be fixed by law or
coterminous with that of the employing or appointing board or
37 body by reason of the fact that such person was or is appointed or
employed by a noncontinuous board or body.
39 (cf: P.L.1944, c.249, s.1)

1 ²[13.] 12.² R.S.38:17-1 is amended to read as follows:

3 38:17-1. The board of chosen freeholders in each of the
5 counties shall designate a proper authority, other than that
7 designated by law for the care of paupers and the custody of
9 criminals, who shall cause to be interred the bodies of all
11 honorably discharged soldiers, sailors, marines or nurses who
13 served, or shall have served, in the Army or Navy of the United
15 States in time of emergency, or during any war in which the
United States has been engaged, is engaged or shall be engaged,
including the bodies of all honorably discharged members of the
American Merchant Marine who served during World War II and
have been declared by the United States Department of Defense
to be eligible for federal veterans' benefits, who shall die
without leaving means sufficient to defray funeral expenses. The
expense of such funeral shall not exceed in any case the sum of
\$250.00.

17 Such authority shall also, upon application by an interested
19 party, cause to be interred the bodies of members of the Armed
Forces of the United States who died in active service during the
second World War, or in time of emergency. The expense of such
21 interment shall not in any case exceed the sum of \$50.00.

23 As used in this act the term "in time of emergency" shall mean
and include any time (a) after June 23, 1950, and prior to [the
25 termination, suspension or revocation of the proclamation of the
existence of a national emergency issued by the President of the
United States on December 16, 1950, or termination of the
27 existence of such national emergency by appropriate action of
the President or Congress of the United States] January 31, 1955,
29 and (b) during the period in which warlike conditions exist in the
southeast Asia area commencing as of January 1, 1961 and
31 terminating on [such date as shall be determined by Proclamation
of the President of the United States or concurrent resolution of
33 the United States Congress] May 7, 1975.

35 For the purposes of this act active service in the "southeast
Asia area" means and includes such service in any area in
37 southeast Asia in which armed conflict or warlike conditions exist
as determined by the President and includes not only land based
service in said area but also service in said area with the United
39 States Navy and Air Force regardless of where the individual's

1 ship or unit is based.

(cf: P.L.1967, c.160, s.1)

2[14.] 13.² R.S.38:17-2 is amended to read as follows:

3 38:17-2. The board of chosen freeholders in each of the
4 counties shall appoint a suitable person who shall be a resident of
5 the county, as supervisor of veterans' interment; provided, that
6 in making such appointment an honorably discharged soldier,
7 sailor or marine who served in the Army, Navy or Marine Corps
8 of the United States during any war in which the United States
9 has been engaged, or an honorably discharged member of the
10 American Merchant Marine who served during World War II and is
11 declared by the United States Department of Defense to be
12 eligible for federal veterans' benefits, shall be appointed. The
13 supervisor of veterans' interment shall be paid such annual salary
14 as may be fixed by the board of chosen freeholders of each
15 county. The salary shall be paid in semimonthly installments by
16 the county treasurer. Where any person has served as a
17 superintendent of soldiers' burials or supervisor of veterans'
18 interment, or as either or both, in any county for a period in the
19 aggregate of two or more years prior to [the first day of
20 September, one thousand nine hundred and forty-nine] September
21 1, 1949, such superintendent of soldiers' burials or supervisor of
22 veterans' interment shall be deemed to be a suitable person and
23 may be appointed by the board of chosen freeholders as a
24 supervisor of veterans' interment without any competitive
25 examination.

26 (cf: P.L.1950, c.150, s.1)

2[15.] 14.² R.S.38:18-1 is amended to read as follows:

27 38:18-1. As used in this chapter the word "soldier" means and
28 includes any officer, soldier, sailor, marine, airman, nurse or any
29 other person, male or female, regularly enlisted or inducted, who
30 was or shall have been a part of the military or naval forces of
31 the United States, and who took part in any war in which the
32 United States was engaged, or who took part or shall have taken
33 part in the present wars with the governments of Japan, Germany
34 and Italy, or any of them, including any member of the American
35 Merchant Marine who is declared by the United States
36 Department of Defense to be eligible for federal veterans'
37 benefits, or who served or shall have served in the active military
38
39

1 or naval service of the United States in time of emergency as
herein defined, and who was a resident of this State at the time
3 he was or shall be commissioned, enlisted, inducted, appointed or
mustered into the military or naval service of the United States,
5 and who has been or shall have been given an honorable or
ordinary discharge or release therefrom, and continues to be a
7 resident of this State.

As used herein the term "in time of emergency" shall mean and
9 include any time after [June twenty-third, one thousand nine
hundred and fifty] June 23, 1950, and on or prior to [the
11 termination, suspension or revocation of the proclamation of the
existence of a national emergency issued by the President of the
13 United States on December sixteenth, one thousand nine hundred
and fifty, or termination of the existence of such national
15 emergency by appropriate action of the President or Congress of
the United States] ¹[July 27, 1953] January 31, 1955¹.

17 (cf: P.L.1951, c.17, s.1)

²[16.] 15.² Section 1 of P.L.1947, c.263 (C.38:18A-1) is
19 amended to read as follows:

1. As used in this act, the word "veteran" means and includes
21 any officer, soldier, sailor, marine, airman, nurse, or any other
person, male or female, regularly enlisted or inducted, who was
23 or shall have been a part of the active military or naval forces of
the United States, and who took part or shall have taken part in
25 any war in which the United States was engaged, or who took part
or shall taken part in the wars with the governments of Japan,
27 Germany and Italy, or any of them, including any member of the
American Merchant Marine who is declared by the United States
29 Department of Defense to be eligible for federal veterans'
benefits, or who served or shall have served in the active military
31 or naval service of the United States in time of emergency as
herein defined, and who was a resident of this State at the time
33 he was or shall be commissioned, enlisted, inducted, appointed or
mustered into the active military or naval service of the United
35 States, and who has been or shall have been given a discharge or
release therefrom under conditions other than dishonorable and
37 continues to be a resident of this State.

As used in this act the term "in time of emergency" shall mean
39 (a) the Korean conflict and include any time after June 23, 1950.

1 and prior to July 27, 1953 and (b) the Vietnam conflict and
2 include any time after December 31, 1960, and prior to [the date
3 of termination as proclaimed by the Governor] August 1, 1974.
(cf: P.L.1981, c.424, s.1)

5 ²[17.] 16.² Section 1 of P.L.1942, c.252 (C.38:23-5) is amended
to read as follows:

7 1. No person holding any office, position or employment under
the government of the State of New Jersey or of any county,
9 municipality, school district or other political subdivision of the
State, or under any board, body, agency or commission of the
11 State or of any county, municipality or school district, who,
heretofore and subsequent to [July first, one thousand nine
13 hundred and forty] July 1, 1940, entered or hereafter, in time of
war, shall enter, or heretofore or hereafter in time of emergency
15 entered or shall enter, the active military or naval service of the
United States or the active service of the Women's Army
17 Auxiliary Corps, the Women's Reserve of the Naval Reserve or
any similar organization authorized by the United States to serve
19 with the Army or Navy, including service as a member of the
American Merchant Marine during World War II declared by the
21 United States Department of Defense to be eligible for federal
veterans' benefits, and who, at the time of such entry was or is a
23 member in good standing of any pension, retirement, or annuity
fund, shall suffer the loss or impairment of any of the rights,
25 benefits or privileges accorded by the laws governing such
pension, retirement or annuity funds; and the time spent in such
27 service by any such person shall be considered as time spent in
the office, position or employment held by him at the time of his
29 entry into such service, in all calculations of the amount of
pension to which he is entitled and of the years of service
31 required to entitle him to retire; provided, however, that in the
event of the death or disability of such person while in such
33 service the pension to be paid such person or his dependents shall
be the amount, if any, remaining after calculating the amount of
35 pension that would be paid if such person had continued to hold
such office, position or employment until the time of his death or
37 disability and had continued to receive the same compensation as
he received at the time of his entry into such service.

39 As used in this act the term "in time of emergency" shall mean

1 and include any time after [June twenty-third, one thousand nine
hundred and fifty] June 23, 1950, and ¹on or¹ prior to ¹[the
3 termination, suspension or revocation of the proclamation of the
existence of a national emergency issued by the President of the
5 United States on [December sixteenth, one thousand nine hundred
and fifty] December 16, 1950, or termination of the existence of
7 such national emergency by appropriate action of the President
or Congress of the United States] January 31, 1955¹.

9 (cf: P.L.1951, c.21, s.2)

²[18.] 17.² Section 1 of P.L.1944, c.98 (C.38:23A-2) is
11 amended to read as follows:

1. When the qualifications for any examination or test for, or
13 appointment or election to any office, position or employment
under the government of this State, or of any county,
15 municipality, school district or other political subdivision of this
State, or under any board, body, agency or commission of this
17 State, or of any county, municipality or school district, includes a
maximum age limit, any person who, heretofore and subsequent
19 to [July first, one thousand nine hundred and forty] July 1, 1940,
entered or hereafter, in time of war, shall enter the active
21 military or naval service of the United States or the active
service of the Women's Army Corps, the Women's Reserve of
23 the Naval Reserve or any similar organization authorized by the
United States to serve with the Army or Navy, including service
25 as a member of the American Merchant Marine during World War
II which is declared by the United States Department of Defense
27 to be eligible for federal veterans' benefits, shall be deemed to
meet such maximum age requirement, if his actual age, less the
29 period of such service, would meet the maximum age requirement
in effect on the date the person entered into such service of the
31 United States. As used in this section the term "war" shall
include the conflicts in Viet Nam and Korea.

33 (cf: P.L.1984, c.44, s.1)

²[19.] 18.² Section 1 of P.L.1946, c.51 (C.38:23A-4) is
35 amended to read as follows:

1. The word "veteran" as used in this act shall mean any
37 person who served in the active military or naval service of the
United States on or after [September sixteenth, one thousand nine
39 hundred and forty] September 16, 1940, and prior to the

1 termination of the war by lawful Federal authority, or during the
 2 present emergency, including any member of the American
 3 Merchant Marine who is declared by the United States
 4 Department of Defense to be eligible for federal veterans'
 5 benefits, who was a resident of this State when he entered such
 6 active service, who shall have been discharged, or released,
 7 therefrom under conditions other than dishonorable and who
 8 either shall have served [ninety] 90 days or shall have been
 9 discharged or released from active duty by reason of an actual
 10 service-incurred injury or disability.

11 The term "present emergency" as used in this act shall mean
 12 and include any time after [June twenty-third, one thousand nine
 13 hundred and fifty] June 23, 1950, and ¹on or¹ prior to ¹[the
 14 termination, suspension or revocation of the proclamation of the
 15 existence of a national emergency issued by the President of the
 16 United States on December [sixteenth, one thousand nine hundred
 17 and fifty] 16, 1950, or termination of the existence of such
 18 national emergency by appropriate action of the President or
 19 Congress of the United States] January 31, 1955¹.

(cf: P.L.1952, c.116, s.1)

21 ²[20.] ²19. ²R.S.38:25-5 is amended to read as follows:-

22 38:25-5. Each county clerk, or the register of deeds in
 23 counties having the same, shall record, without costs, when
 24 delivered to him for that purpose, in large and bound books of
 25 good paper to be provided for that purpose, and carefully
 26 preserved and indexed, and to be called and backed "honorable
 27 discharges of veterans," the honorable discharge or the
 28 certificate in lieu of an honorable discharge, and the record of
 29 service or notice of separation showing the record of service, as
 30 issued by the proper governmental agency of the Federal
 31 Government, of any soldier, sailor, marine or nurse who has or
 32 may hereafter serve in the army, navy, marine or air corps of the
 33 United States, or of any member of the American Merchant
 34 Marine during World War II who is declared by the United States
 35 Department of Defense to be eligible for federal veterans'
 36 benefits.

37 (cf: P.L.1948, c.153, s.1)

38 ²[21.] ²20. ²Section 1 of P.L.1938, c.207 (C.38:25A-1) is
 39 amended to read as follows:

1 1. After the passage of this act the poppy or its replica in any
2 material form shall be the recognized souvenir of the deceased
3 veterans of the World Wars and military conflicts involving the
4 Armed Forces of the United States and deceased members of the
5 American Merchant Marine who served during World War II and
6 have been declared by the United States Department of Defense
7 to be eligible for federal veterans' benefits.

(cf: P.L.1981, c.231, s.2)

9 2[22.] 21.² Section 3 of P.L.1938, c.207 (C.38:25A-3) is
10 amended to read as follows:

11 3. The sale and offering for sale of such poppy or poppies as
12 heretofore mentioned shall be restricted to veterans'
13 organizations chartered by an Act of Congress and to their
14 auxiliaries, where such funds are devoted exclusively for the
15 benefit of veterans of the World Wars and other military conflicts
16 or for the benefit of members of the American Merchant Marine
17 during World War II who are declared by the United States
18 Department of Defense to be eligible for federal veterans'
19 benefits and their families and such veterans' organizations in
20 the State of New Jersey.

21 (cf: P.L.1981, c.231, s.3)

22 2[23.] 22.² N.J.S.38A:3-10 is amended to read as follows:

23 38A:3-10. The Adjutant General may demand and receive, for
24 the services herein enumerated, except for those in proof of
25 pension, establishment of veteran status, exemption from jury
26 duty, or in lieu of lost discharges, the following fees:

27 (a) For every search made in his office for the military record
28 of any member or former member of the armed forces, including
29 any member of the American Merchant Marine during World War
30 II who is declared by the United States Department of Defense to
31 be eligible for federal veterans' benefits, the sum of \$1.00.

32 (b) For the furnishing of every certified copy of such record,
33 the sum of \$2.00.

34 The Adjutant General shall keep a true record and account of
35 fees received under the provisions of this section and shall pay
36 the same into the State Treasury in the manner prescribed by law.

37 (cf: P.L.1984, c.181, s.13)

38 2[24.] 23.² N.J.S.38A:15-3 is amended to read as follows:

39 38A:15-3. The Adjutant General may procure and issue such

1 service medals, ribbons, clasps, or similar devices as are
2 authorized by the Legislature to be awarded to residents of the
3 State of New Jersey who served on active duty in time of war or
4 emergency or who served as members of the American Merchant
5 Marine during World War II and are declared by the United States
6 Department of Defense to be eligible for federal veterans'
7 benefits.

(cf: P.L.1984, c.181, s.33)

9 2[25.] 24.² R.S.40:20-26 is amended to read as follows:

10 40:20-26. The terms of office of all officers then holding
11 office under appointment by the board of chosen freeholders
12 existing in any county at the time of reorganization thereof under
13 sections 40:20-20 to 40:20-35 of this title in such county, shall
14 not be affected thereby but the officers then holding office shall
15 continue in office during the terms for which they were originally
16 appointed or elected and until their successors shall have been
17 appointed or elected and shall have duly qualified. Thereafter all
18 offices to be filled by the board of chosen freeholders shall be for
19 the term of three years.

20 Nothing in this section contained shall apply to or affect any
21 honorably discharged soldier, sailor or marine of the United
22 States, or any honorably discharged member of the American
23 Merchant Marine who served during World War II and is declared
24 by the United States Department of Defense to be eligible for
25 federal veterans' benefits, or the widow of such soldier, sailor
26 [or], marine or member of the American Merchant Marine, in
27 office at the time of the adoption of said sections 40:20-20 to
28 40:20-35 by any county. All such persons shall continue and
29 remain in their respective offices during good behavior, and shall
30 be removed only for cause.

31 Nothing in this section contained shall apply to or affect any
32 officer coming within the provisions of section 51:1-53 of the
33 title Standards, Weights, Measures and Containers.

(cf: R.S.40:20-26)

34 2[26.] 25.² R.S.40:83-6 is amended to read as follows:

35 40:83-6. Any person being an honorably discharged soldier,
36 sailor or marine, who served in the Army, Navy or Marine Corps
37 of the United States in any war of the United States, or an
38 honorably discharged member of the American Merchant Marine

1 who served during World War II and is declared by the United
2 States Department of Defense to be eligible for federal veterans
3 benefits, and holding the office, position or employment of city
4 engineer in any city governed under the municipal manager form
5 of government law, who heretofore has held, hereafter shall hold
6 or heretofore and hereafter shall have held said office, position
7 or employment continuously for a period of [fifteen] 15 years
8 from the date of his original appointment as city engineer of such
9 municipality under an indefinite term or under fixed terms or
10 under both indefinite and fixed terms, while said city was
11 governed under said law or under any other law or both, shall hold
12 his said office, position or employment during good behavior and
13 efficiency and shall not be removed therefrom except for good
14 cause and then only upon a sworn complaint, specifying the cause,
15 filed with the city manager of said municipality and after a
16 public, fair and impartial hearing before said city manager.
17 (cf: R.S.40:83-6)

18 ²[27.] 26.² Section 21 of P.L.1971, c.199 (C.40A:12-21) is
19 amended to read as follows:

20 21. Private sales to certain organizations upon nominal
21 consideration. When the governing body of any county or
22 municipality shall determine that all or any part of a tract of
23 land, with or without improvements, owned by the county or
24 municipality, is not then needed for county or municipal purposes,
25 as the case may be, said governing body, by resolution or
26 ordinance, may authorize a private sale and conveyance of the
27 same, or any part thereof without compliance with any other law
28 governing disposal of lands by counties and municipalities, for a
29 consideration, which may be nominal, and containing a limitation
30 that such lands or buildings shall be used only for the purposes of
31 such organization or association, and to render such services or to
32 provide such facilities as may be agreed upon, and not for
33 commercial business, trade or manufacture, and that if said lands
34 or buildings are not used in accordance with said limitation, title
35 thereto shall revert to the county or municipality without any
36 entry or reentry made thereon on behalf of such county or
37 municipality, to

38 (a) A duly incorporated volunteer fire company or board of fire
39 commissioners or first aid and emergency or volunteer ambulance

1 or rescue squad association of a municipality within the county,
2 in the case of a county, or of the municipality, in the case of a
3 municipality, for the construction thereon of a firehouse or fire
4 school or a first aid and emergency or volunteer ambulance or
5 rescue squad building or for the use of any existing building for
6 any or all of said purposes and any such land or building sold to
7 any duly incorporated volunteer fire company may be leased by
8 such fire company to any volunteer firemen's association for the
9 use thereof for fire school purposes for the benefit of the
10 members of such association, or

11 (b) Any nationally chartered organization or association of
12 veterans of any war, in which the United States has or shall have
13 been engaged, by a conveyance for consideration, a part of which
14 may be an agreement by the organization or association to render
15 service or to provide facilities for the general public of the
16 county or municipality, of a kind which the county or
17 municipality may furnish to its citizens and to the general public,
18 or

19 (c) A duly incorporated nonprofit hospital association for the
20 construction or maintenance thereon of a general hospital, or

21 (d) Any paraplegic veteran, that is to say, any officer, soldier,
22 sailor, marine, nurse or other person, regularly enlisted or
23 inducted, who was or shall have been in the active military or
24 naval forces of the United States in any war in which the United
25 States was engaged, including any member of the American
26 Merchant Marine during World War II who is declared by the
27 United States Department of Defense to be eligible for federal
28 veterans' benefits, and who, at the time he was commissioned,
29 enlisted, inducted, appointed or mustered into such military or
30 naval service, was a resident of and who continues to reside in
31 this State, who is suffering from paraplegia and has permanent
32 paralysis of both legs or the lower parts of the body resulting
33 from injuries sustained through enemy action or accident while in
34 such active military or naval service, for the construction of a
35 home to domicile him, or to any organization or association of
36 veterans, for the construction of a home or homes to domicile
37 paraplegic veterans, with powers to convey said lands and
38 premises to the paraplegic veteran or veterans on whose behalf
39 said organization or association shall acquire title to said land, or

1 (e) Any duly incorporated nonprofit association or any regional
commission or authority composed of one or more municipalities
3 or one or more counties for the construction or maintenance
thereon of an animal shelter, or

5 (f) Any duly incorporated nonprofit historical society for the
acquisition of publicly owned historic sites for their restoration,
7 preservation, improvement and utilization for the benefit of the
general public, or

9 (g) Any duly incorporated nonprofit cemetery organization or
association serving the residents of the municipality or county, or

11 (h) Any duly incorporated nonprofit organization for the
principal purpose of the education or treatment of persons
13 afflicted with developmental disabilities including cerebral palsy,
or

15 (i) Any county or municipal sewerage authority serving the
residents of the county or municipality, for the use thereof for
17 sewerage authority purposes, or

(j) Any duly incorporated nonprofit organization for the
19 purpose of building or rehabilitating residential property for
resale. Any profits from the resale of the property shall be
21 applied by the nonprofit organization to the costs of acquiring
and rehabilitating other residential property in need of
23 rehabilitation owned by the county or municipality, or

(k) Any duly incorporated nonprofit organization or
25 association, other than a political, partisan, sectarian,
denominational or religious organization or association, which
27 was established exclusively for the purpose of providing the youth
of the county or municipality with educational, recreational,
29 medical or social services.

(l) Any duly incorporated nonprofit housing corporation or any
31 limited-dividend housing corporation or housing association
organized pursuant to P.L.1949, c.184 (C.55:16-1 et seq.) for the
33 purpose of constructing housing for low or moderate income
persons or families or handicapped persons.

35 (cf: P.L.1987, c.212, s.1)

²[28.] 27.² R.S.43:4-1 is amended to read as follows:

37 43:4-1. This chapter shall apply to and include persons serving
in and honorably discharged from the military or naval service of
39 the United States, including nurses, in any war in which the

1 United States is or has been engaged, and members of the
2 American Merchant Marine during World War II who have been
3 honorably discharged and are declared by the United States
4 Department of Defense to be eligible for federal veterans'
5 benefits, and in connection with the American punitive expedition
6 or other intervention campaign or trouble with the Republic of
7 Mexico during the administration of President Woodrow Wilson;
8 provided, such designated persons shall have attained the age of
9 [sixty-two] 62 years or become incapacitated for the duties of
10 their office or position or employment.

11 (cf: P.L.1944, c.211, s.1)

12 ²[29.] 28.² R.S.43:4-2 is amended to read as follows:

13 43:4-2. When an honorably discharged soldier, sailor or marine
14 or an honorably discharged member of the American Merchant
15 Marine who served during World War II and is declared by the
16 United States Department of Defense to be eligible for federal
17 veterans' benefits has or shall have been for [twenty] 20 years
18 continuously or in the aggregate in office, position or
19 employment of this State or of a county, municipality or school
20 district or board of education, the body, board or officer having
21 power to appoint his successor in case of vacancy may, with his
22 assent, order his retirement from such service, or he shall be
23 retired on his own request.

24 When an honorably discharged soldier, sailor or marine having
25 [forty] 40 years of continuous service in office, position or
26 employment in this State shall, while serving in the [present] war
27 between the United States and Germany and Japan, lose his life
28 in the performance of his duties, there shall be paid to his widow,
29 during the term of her natural life, or so long as she remains a
30 widow, a pension to which such veteran would have been entitled
31 had he retired under the provisions hereof. This act shall be
32 retroactive to include such veterans who lost their lives in the
33 performance of duty within one year prior to the passage hereof.
34 Such pension shall be calculated and paid in the manner provided
35 by section 43:4-3 of the Revised Statutes. There shall be
36 deducted from such pension payments any pension payment made
37 or made available to such widow from the United States
38 Government on account of the services of such veteran or
39 because of the loss of his life in the performance of such duty.

(cf: P.L.1947, c.279, s.1)

1 ²[30.] 29.² Section 1 of P.L.1941, c.399 (C.43:9-6.1) is amended to read as follows:

3 1. An employee of any county, who is a veteran of any war, or
5 who was a member of the American Merchant Marine during
7 World War II and is declared by the United States Department of
9 Defense to be eligible for federal veterans' benefits, and is a
11 member of any retirement system may, at any time, apply to
13 withdraw from the system during the continuance of his
15 employment. Upon his making application, of which [ten] 10
17 days' notice shall be given, he shall receive, upon demand, the
19 amount of his payments with interest thereon at the rate of four
21 per centum (4%) per annum, without prejudice to his rights as a
23 veteran to any benefit to which he may be entitled under any
25 other law.

27 (cf: P.L.1941, c.399, s.1)

29 ²[31.] 30.² Section 6 of P.L.1954, c.84 (C.43:15A-6) is amended to read as follows:

31 6. As used in this act:

33 a. "Accumulated deductions" means the sum of all the
35 amounts, deducted from the compensation of a member or
37 contributed by him or on his behalf, standing to the credit of his
39 individual account in the annuity savings fund.

1 b. "Annuity" means payments for life derived from the
3 accumulated deductions of a member as provided in this act.

5 c. "Annuity reserve" means the present value of all payments
7 to be made on account of any annuity or benefit in lieu of an
9 annuity, granted under the provisions of this act, computed on the
11 basis of such mortality tables recommended by the actuary as the
13 board of trustees adopts, with regular interest.

15 d. "Beneficiary" means any person receiving a retirement
17 allowance or other benefit as provided in this act.

19 e. "Child" means a deceased member's unmarried child either
21 (1) under the age of 18 or (2) of any age who, at the time of the
23 member's death, is disabled because of mental retardation or
25 physical incapacity, is unable to do any substantial, gainful work
27 because of the impairment and his impairment has lasted or can
29 be expected to last for a continuous period of not less than 12
31 months, as affirmed by the medical board.

33 f. "Parent" shall mean the parent of a member who was

1 receiving at least 1/2 of his support from the member in the
2 12-month period immediately preceding the member's death or
3 the accident which was the direct cause of the member's death.
4 The dependency of such a parent will be considered terminated by
5 marriage of the parent subsequent to the death of the member.

6 g. "Widower" means the man to whom a member was married
7 at least 5 years before the date of her death and to whom she
8 continued to be married until the date of her death and who was
9 receiving at least 1/2 of his support from the member in the
10 12-month period immediately preceding the member's death or
11 the accident which was the direct cause of the member's death.
12 The dependency of such a widower will be considered terminated
13 by marriage of the widower subsequent to the death of the
14 member. In the event of the payment of an accidental death
15 benefit, the 5-year qualification shall be waived.

16 h. "Final compensation" means the average annual
17 compensation for which contributions are made for the 3 years of
18 creditable service in New Jersey immediately preceding his
19 retirement or death, or it shall mean the average annual
20 compensation for New Jersey service for which contributions are
21 made during any 3 fiscal years of his or her membership providing
22 the largest possible benefit to the member or his beneficiary.

23 i. "Fiscal year" means any year commencing with July 1 and
24 ending with June 30 next following.

25 j. "Medical board" shall mean the board of physicians provided
26 for in section 17 (C.43:15A-17).

27 k. "Pension" means payments for life derived from
28 appropriations made by the employer as provided in this act.

29 l. "Pension reserve" means the present value of all payments
30 to be made on account of any pension or benefit in lieu of a
31 pension granted under the provisions of this act, computed on the
32 basis of such mortality tables recommended by the actuary as the
33 board of trustees adopts, with regular interest.

34 m. "Public Employees' Retirement System of New Jersey,"
35 hereinafter referred to as the "retirement system," is the
36 corporate name of the arrangement for the payment of
37 retirement allowances and other benefits under the provisions of
38 this act including the several funds placed under said system. By
39 that name all of its business shall be transacted, its funds

1 invested, warrants for money drawn, and payments made and all
of its cash and securities and other property held.

3 n. "Regular interest" shall mean interest as determined
annually by the State Treasurer after consultation with the
5 Directors of the Divisions of Investment and Pensions and the
actuary of the system. It shall bear a reasonable relationship to
7 the percentage rate of earnings on investments but shall not
exceed 105% of such percentage rate.

9 o. "Retirement allowance" means the pension plus the annuity.

p. "Veteran" means any honorably discharged officer, soldier,
11 sailor, airman, marine or nurse who served in any Army, Air
Force or Navy of the Allies of the United States in World War I,
13 between July 14, 1914, and November 11, 1918, or who served in
any Army, Air Force or Navy of the Allies of the United States in
15 World War II, between September 1, 1939, and September 2, 1945,
and who was inducted into such service through voluntary
17 enlistment, and was a citizen of the United States at the time of
such enlistment, and who did not, during or by reason of such
19 service, renounce or lose his United States citizenship, and any
officer, soldier, sailor, marine, airman, nurse or army field clerk,
21 who has served in the active military or naval service of the
United States and has or shall be discharged or released
23 therefrom under conditions other than dishonorable, in any of the
following wars, uprisings, insurrections, expeditions, or
25 emergencies, and who has presented to the retirement system
evidence of such record of service in form and content
27 satisfactory to said retirement system:

(1) The Indian wars and uprisings during any of the periods
29 recognized by the War Department of the United States as
periods of active hostility;

31 (2) The Spanish-American War between April 20, 1898, and
April 11, 1899;

33 (3) The Philippine insurrections and expeditions during the
periods recognized by the War Department of the United States
35 as of active hostility from February 4, 1899, to the end of 1913;

(4) The Peking relief expedition between June 20, 1900, and
37 May 27, 1902;

(5) The army of Cuban occupation between July 18, 1898, and
39 May 20, 1902;

1 (6) The army of Cuban pacification between October 6, 1906,
and April 1, 1909;

3 (7) The Mexican punitive expedition between March 14, 1916,
and February 7, 1917;

5 (8) The Mexican border patrol, having actually participated in
engagements against Mexicans between April 12, 1911, and June
7 16, 1919;

(9) World War I, between April 6, 1917, and November 11, 1918;

9 (10) World War II, between September 16, 1940, and September
2, 1945, who shall have served at least 90 days in such active
11 service, exclusive of any period he was assigned (1) for a course
of education or training under the Army Specialized Training
13 Program or the Navy College Training Program which course was
a continuation of his civilian course and was pursued to
15 completion, or (2) as a cadet or midshipman at one of the service
academies any part of which 90 days was served between said
17 dates; provided, that any person receiving an actual
service-incurred injury or disability shall be classed as a veteran
19 whether or not he has completed the 90-day service as herein
provided.

21 (11) Korean conflict after June 23, 1950, and ¹on or¹ prior to
July 27, 1953, who shall have served at least 90 days in such
23 active service, exclusive of any period he was assigned (1) for a
course of education or training under the Army Specialized
25 Training Program or the Navy College Training Program which
course was a continuation of his civilian course and was pursued
27 to completion, or (2) as a cadet or midshipman at one of the
service academies, any part of which 90 days was served between
29 said dates; provided, that any person receiving an actual
service-incurred injury or disability shall be classed as a veteran
31 whether or not he has completed the 90-day service as herein
provided; and provided further, that any member classed as a
33 veteran pursuant to this subparagraph prior to August 1, 1966,
shall continue to be classed as a veteran whether or not he
35 completed the 90-day service between said dates as herein
provided.

37 (12) Vietnam conflict after December 31, 1960, and ¹on or¹
prior to ¹[the date of termination as proclaimed by the Governor]
39 August 1, 1974¹, who shall have served at least 90 days in such

1 active service, exclusive of any period he was assigned (1) for a
2 course of education or training under the Army Specialized
3 Training Program or the Navy College Training Program which
4 course was a continuation of his civilian course and was pursued
5 to completion, or (2) as a cadet or midshipman at one of the
6 service academies, any part of which 90 days was served between
7 said dates; and exclusive of any service performed pursuant to
8 the provisions of section 511(d) of Title 10, United States Code,
9 pursuant to an enlistment in the Army National Guard or as a
10 reserve for service in the Army Reserve, Naval Reserve, Air
11 Force Reserve, Marine Corps Reserve, or Coast Guard Reserve;
12 provided, that any person receiving an actual service-incurred
13 injury or disability shall be classed as a veteran whether or not he
14 has completed the 90 days service as herein provided.

15 "Veteran" also means any honorably discharged member of the
16 American Merchant Marine who served during World War II and is
17 declared by the United States Department of Defense to be
18 eligible for federal veterans' benefits.

19 q. "Widow" means the woman to whom a member was married
20 at least 5 years before the date of his death and to whom he
21 continued to be married until the date of his death and who was
22 receiving at least 1/2 of her support from the member in the
23 12-month period immediately preceding the member's death or
24 the accident which was the direct cause of the member's death.
25 The dependency of such a widow will be considered terminated by
26 the marriage of the widow subsequent to the member's death. In
27 the event of the payment of an accidental death benefit, the
28 5-year qualification shall be waived.

29 r. "Compensation" means the base or contractual salary, for
30 services as an employee, which is in accordance with established
31 salary policies of the member's employer for all employees in the
32 same position but shall not include individual salary adjustments
33 which are granted primarily in anticipation of the member's
34 retirement or additional remuneration for performing temporary
35 or extracurricular duties beyond the regular work day or the
36 regular work year. In cases where salary includes maintenance,
37 the retirement system shall fix the value of that part of the
38 salary not paid in money which shall be considered under this act.
39 (cf: P.L. 1972, c. 166, s. 3)

1 ²[32.] 31.² Section 1 of P.L.1983, c.391 (C.43:16A-11.7) is amended to read as follows:

3 1. For purposes of this act "veteran" means any honorably
5 discharged officer, soldier, sailor, airman, marine or nurse who
7 served in any Army, Air Force or Navy of the Allies of the United
9 States in World War I, between July 14, 1914, and November 11,
11 1918, or who served in any Army, Air Force or Navy of the Allies
13 of the United States in World War II, between September 1, 1939,
15 and September 2, 1945, and who was inducted into such service
17 through voluntary enlistment, and was a citizen of the United
19 States at the time of such enlistment, and who did not, during or
21 by reason of such service, renounce or lose his United States
23 citizenship, and any officer, soldier, sailor, marine, airman, nurse
25 or army field clerk, who has served in the active military or naval
27 service of the United States and has or shall be discharged or
29 released therefrom under conditions other than dishonorable, in
31 any of the following wars, uprisings, insurrections, expeditions, or
33 emergencies, and who has presented to the retirement system
35 evidence of such record of service in form and content
37 satisfactory to said retirement system:

21 (1) The Indian wars and uprisings during any of the periods
23 recognized by the War Department of the United States as
25 periods of active hostility;

25 (2) The Spanish-American War between April 20, 1898, and
27 April 11, 1899;

27 (3) The Philippine insurrections and expeditions during the
29 periods recognized by the War Department of the United States
31 as of active hostility from February 4, 1899, to the end of 1913;

29 (4) The Peking relief expedition between June 20, 1900, and
31 May 27, 1902;

31 (5) The army of Cuban occupation between July 18, 1898, and
33 May 20, 1902;

33 (6) The army of Cuban pacification between October 6, 1906,
35 and April 1, 1909;

35 (7) The Mexican punitive expedition between March 14, 1916,
37 and February 7, 1917;

37 (8) The Mexican border patrol, having actually participated in
39 engagements against Mexicans between April 12, 1911, and June
41 16, 1919;

1 (9) World War I, between April 6, 1917, and November 11, 1918;

2 (10) World War II, between September 16, 1940, and September
3 2, 1945, who shall have served at least 90 days in such active
4 service, exclusive of any period he was assigned (1) for a course
5 of education or training under the Army Specialized Training
6 Program or the Navy College Training Program which course was
7 a continuation of his civilian course and was pursued to
8 completion, or (2) as a cadet or midshipman at one of the service
9 academies any part of which 90 days was served between said
10 dates; provided, that any person receiving an actual
11 service-incurred injury or disability shall be classed as a veteran
12 whether or not he has completed the 90-day service as herein
13 provided.

14 (11) Korean conflict after June 23, 1950, and 1on or¹ prior to
15 July 27, 1953, who shall have served at least 90 days in such
16 active service, exclusive of any period he was assigned (1) for a
17 course of education or training under the Army Specialized
18 Training Program or the Navy College Training Program which
19 course was a continuation of his civilian course and was pursued
20 to completion, or (2) as a cadet or midshipman at one of the
21 service academies, any part of which 90 days was served between
22 said dates; provided, that any person receiving an actual
23 service-incurred injury or disability shall be classed as a veteran
24 whether or not he has completed the 90-day service as herein
25 provided; and provided further, that any member classed as a
26 veteran pursuant to this subparagraph prior to August 1, 1966,
27 shall continue to be classed as a veteran whether or not he
28 completed the 90-day service between said dates as herein
29 provided.

30 (12) Vietnam conflict after December 31, 1960, and 1on or¹
31 prior to ¹[the date of termination as proclaimed by the Governor]
32 August 1, 1974¹, who shall have served at least 90 days in such
33 active service, exclusive of any period he was assigned (1) for a
34 course of education or training under the Army Specialized
35 Training Program or the Navy College Training Program which
36 course was a continuation of his civilian course and was pursued
37 to completion, or (2) as a cadet or midshipman at one of the
38 service academies, any part of which 90 days was served between
39 said dates; and exclusive of any service performed pursuant to

1 the provisions of section 511(d) of Title 10, United States Code,
2 pursuant to an enlistment in the Army National Guard or as a
3 reserve for service in the Army Reserve, Naval Reserve, Air
4 Force Reserve, Marine Corps Reserve, or Coast Guard Reserve;
5 provided, that any person receiving an actual service-incurred
6 injury or disability shall be classed as a veteran whether or not he
7 has completed the 90 days service as herein provided.

8 "Veteran" also means any honorably discharged member of the
9 American Merchant Marine who served during World War II and is
10 declared by the United States Department of Defense to be
11 eligible for federal veterans' benefits.

(cf: P.L.1983, c.391, s.1)

12 2[33.] 32.² Section 1 of P.L.1947, c.132 (C.45:8A-1) is
13 amended to read as follows:

14 1. The State Board of Examiners shall, upon application, issue
15 to any person a professional librarian's certificate to act as a
16 professional librarian if he shall be a graduate from a library
17 school accredited by the State Board of Education and shall meet
18 such other requirements as shall be fixed by the State Board of
19 Education for the issuance of such certificates except that the
20 State Board of Examiners shall, upon application, issue such
21 certificate to any person holding, at the time this act becomes
22 effective, a professional office, or position, that requires for
23 adequate performance the knowledge and techniques of library
24 science as taught in accredited library schools, in any library
25 within this State supported in whole or in part by public funds,
26 except in a library under the charge and control of a board of
27 education, provided such application is made within [3] three
28 years from the effective date of this act or in the case of a
29 veteran of World War II or a member of the American Merchant
30 Marine during World War II who is declared by the United States
31 Department of Defense to be eligible for federal veterans'
32 benefits, such a certificate shall be issued to any person holding
33 such a professional office or position, who has held the same
34 since November 1, 1957, provided application is made within 30
35 days of the enactment of this 1988 amendatory act.

36 (cf: P.L.1969, c.83, s.1)

37 2[34.] 33.² Section 1 of P.L.1946, c.177 (C.45:14-7.2) is
38 amended to read as follows:

1 1. Any applicant for the registered pharmacist examinations in
2 this State who subsequent to [September sixteenth, one thousand
3 nine hundred and forty] September 16, 1940, entered the active
4 military or naval service of the United States, including any
5 member of the American Merchant Marine during World War II
6 who is declared by the United States Department of Defense to
7 be eligible for federal veterans' benefits, and who, at the time of
8 such entry, was a graduate of a pharmacy course given in an
9 approved school or college of pharmacy, shall be given credit
10 against the requirement of one year of practical experience,
11 subsequent to graduation, for such time served in the active
12 military or naval service of the United States or as a member of
13 the American Merchant Marine upon presentation of proof of his
14 discharge or release from such service under conditions other
15 than dishonorable; provided, however, that such applicant
16 completes all of the other requirements for registration as
17 provided for under section 45:14-7 of the Revised Statutes,
18 including the passing of the written examinations in the
19 theoretical subjects, and presents himself or herself for the
20 examination in practical pharmacy and laboratory work within a
21 period of two years subsequent to the date of such discharge or
22 release from such military or naval service or such declaration of
23 eligibility for federal veterans' benefits by the Department of
24 Defense. The board may make such rules and regulations as may
25 be necessary therefor.

(cf: P.L.1946, c.177, s.1)

27 2[35.] 34.² R.S.45:15-11 is amended to read as follows:

28 45:15-11. Any citizen of New Jersey who has served in the
29 military or naval forces of the United States in any war or who
30 served as a member of the American Merchant Marine during
31 World War II and is declared by the United States Department of
32 Defense to be eligible for federal veterans' benefits, who has
33 been honorably discharged, and who, having been wounded or
34 disabled in line of duty, has completed a program of courses in
35 real estate in any college or school approved by the Department
36 of Education of the State of New Jersey, and who has
37 successfully passed an examination conducted by said commission
38 qualifying him to operate as a real estate broker or a real estate
39 salesman, may, upon presentation of a certificate certifying that

1 he has completed such program of courses as aforesaid, obtain
2 without cost from the commission and without qualification
3 through apprenticeship, a license to operate as a real estate
4 broker or a real estate salesman, as the case may be, which
5 licenses shall be the same as other licenses issued under this
6 article. Renewal of licenses may be granted under this section
7 for each ensuing year, upon request, without annual fees therefor.
(cf: P.L.1977, c.331, s.6)

9 ²[36. Section 1 of P.L.1948, c.259 (C.54:4-3.30) is amended to
read as follows:

11 1. a. The dwelling house and the lot or curtilage whereon the
12 same is erected, of any citizen and resident of this State, now or
13 hereafter honorably discharged or released under honorable
14 circumstances, from active service, in time of war, in any branch
15 of the Armed Forces of the United States, including any member
16 of the American Merchant Marine during World War II who has
17 been honorably discharged and is declared by the United States
18 Department of Defense to be eligible for federal veterans'
19 benefits, who has been or shall be declared by the United States
20 Veterans Administration or its successor to have a
21 service-connected disability from paraplegia, sarcoidosis,
22 osteochondritis resulting in permanent loss of the use of both
23 legs, or permanent paralysis of both legs and lower parts of the
24 body, or from hemiplegia and has permanent paralysis of one leg
25 and one arm or either side of the body, resulting from injury to
26 the spinal cord, skeletal structure, or brain or from disease of the
27 spinal cord not resulting from any form of syphilis; or from total
28 blindness; or from amputation of both arms or both legs, or both
29 hands or both feet, or the combination of a hand and a foot; or
30 from other service-connected disability declared by the United
31 States Veterans Administration or its successor to be a total or
32 100% permanent disability, and not so evaluated solely because of
33 hospitalization or surgery and recuperation, sustained through
34 enemy action, or accident, or resulting from disease contracted
35 while in such active service, shall be exempt from taxation, on
36 proper claim made therefor, and such exemption shall be in
37 addition to any other exemption of such person's real and
38 personal property which now is or hereafter shall be prescribed or
39 allowed by the Constitution or by law but no taxpayer shall be

1 allowed more than one exemption under this act.

3 b. The surviving spouse of any such citizen and resident of this
5 State, who at the time of death was entitled to the exemption
7 provided under this act, shall be entitled, on proper claim made
9 therefor, to the same exemption as the deceased had, during the
surviving spouse's widowhood or widowerhood, as the case may
be, and while a resident of this State, for the time that the
surviving spouse is the legal owner thereof and actually occupies
the said dwelling house or any other dwelling house thereafter
acquired.

11 c. The surviving spouse of any citizen and resident of this
13 State, who died in active service in time of war in any branch of
the Armed Forces of the United States or who died in service as a
15 member of the American Merchant Marine during World War II
and who, if alive, would be declared by the United States
17 Department of Defense to be eligible for federal veterans'
21 benefits, shall be entitled, on proper claim made therefor, to an
23 exemption from taxation on the dwelling house and lot or
curtilage whereon the same is erected, during the surviving
spouse's widowhood or widowerhood, as the case may be, and
while a resident of this State, for the time that the surviving
spouse is the legal owner thereof and actually occupies the said
dwelling or any other dwelling house thereafter acquired.

25 d. The surviving spouse of any citizen and resident of this
27 State who died prior to January 10, 1972, that being the effective
date of P.L.1971, c.398, and whose circumstances were such that,
the deceased would have become eligible for the exemption
29 granted under this section as amended by said law, shall be
entitled, on proper claim made therefor, to the same exemption
31 as the deceased would have become eligible for upon the dwelling
house and lot or curtilage occupied by the deceased at the time
33 of death, during the surviving spouse's widowhood or
widowerhood, as the case may be, and while a resident of this
35 State, for the time that the surviving spouse is the legal owner
thereof and actually occupies the said dwelling house on the
37 premises to be exempted.

39 e. Nothing in this act shall be intended to include paraplegia or
hemiplegia resulting from locomotor ataxia or other forms of

1 syphilis of the central nervous system, or from chronic
2 alcoholism, or to include other forms of disease resulting from
3 the veteran's own misconduct which may produce signs and
4 symptoms similar to those resulting from paraplegia,
5 osteochondritis, or hemiplegia.

(cf: P.L.1985, c.515, s.2)]²

7 ²[37. Section 1 of P.L.1963, c.171 (C.54:4-8.10) is amended to
8 read as follows:

9 1. As used in this act:

10 (a) "Active service in time of war" means active service at
11 some time during one of the following periods:

12 The Vietnam conflict, December 31, 1960, to ¹[the date of
13 termination as proclaimed by the Governor] August 1, 1974¹;

14 The Korean conflict, June 23, 1950 to July 27, 1953;

15 World War II, December 7, 1941 to September 2, 1945;

16 World War I, April 6, 1917 to November 11, 1918, and in the
17 case of service with the United States military forces in Russia,
18 April 6, 1917 to April 1, 1920;

19 Spanish-American War, April 21, 1898 to August 13, 1898;

20 Civil War, April 15, 1861 to May 26, 1865; or, as to any
21 subsequent war, during the period from the date of declaration of
22 war to the date on which actual hostilities shall cease.

23 (b) "Assessor" means the assessor, board of assessors or any
24 other official or body of a taxing district charged with the duty
25 of assessing real and personal property for the purpose of general
26 taxation.

27 (c) "Collector" means the collector or receiver of taxes of a
28 taxing district.

29 (d) "Honorably discharged or released under honorable
30 circumstances from active service in time of war" means and
31 includes every form of separation from active, full-time duty
32 with military or naval pay and allowances in some branch of the
33 Armed Forces of the United States in time of war, other than
34 those marked "dishonorable," "undesirable," "bad conduct," "by
35 sentence of general court martial," "by sentence of summary
36 court martial" or similar expression indicating that the discharge
37 or release was not under honorable circumstances. A
38 disenrollment certificate or other form of release terminating
39 temporary service in a military or naval branch of the armed

1 forces rendered on a voluntary and part-time basis without pay,
2 or a release from or deferment of induction into the active
3 military or naval service shall not be deemed to be included in
the aforementioned phrase.

5 (e) "Pre-tax year" means the particular calendar year
immediately preceding the "tax year."

7 (f) "Resident" means one legally domiciled within the State of
New Jersey. Mere seasonal or temporary residence within the
9 State, of whatever duration, shall not constitute domicile within
the State for the purposes of this act. Absence from this State
11 for a period of 12 months shall be prima facie evidence of
abandonment of domicile in this State. The burden of
13 establishing legal domicile within the State shall be upon the
claimant.

15 (g) "Tax year" means the particular calendar year in which the
general property tax is due and payable.

17 (h) "Veteran" means any citizen and resident of this State
honorably discharged or released under honorable circumstances
19 from active service in time of war in any branch of the Armed
Forces of the United States, including any honorably discharged
21 member of the American Merchant Marine who served during
World War II and is declared by the United States Department of
23 Defense to be eligible for federal veterans' benefits.

(i) "Veteran's deduction" means the deduction against the
25 taxes payable by any person, allowable pursuant to this act.

(j) "Surviving spouse" means the surviving wife or husband of
27 any of the following, while he or she is a resident of this State,
during widowhood or widowerhood:

29 1. A citizen and resident of this State who has died or shall die
while on active duty in time of war in any branch of the Armed
31 Forces of the United States, including any member of the
American Merchant Marine during World War II who is or, if
33 alive, would be declared by the United States Department of
Defense to be eligible for federal veterans' benefits; or

35 2. A citizen and resident of this State who has had or shall
hereafter have active service in time of war in any branch of the
37 Armed Forces of the United States including any member of the
American Merchant Marine during World War II who is or, if
39 alive, would be declared by the United States Department of

1 Defense to be eligible for federal veterans' benefits and who died
2 or shall die while on active duty in a branch of the Armed Forces
3 of the United States; or

4 3. A citizen and resident of this State who has been or may
5 hereafter be honorably discharged or released under honorable
6 circumstances from active service in time of war in any branch
7 of the Armed Forces of the United States, including any member
8 of the American Merchant Marine during World War II who has
9 been honorably discharged and is declared by the United States
10 Department of Defense to be eligible for federal veterans'
11 benefits.

(cf: P.L.1985, c.515, s.6)]²

12 ²[38. Section 2 of P.L.1963, c.171 (C.54:4-8.11) is amended to
13 read as follows:

14 2. Every person a citizen and resident of this State now or
15 hereafter honorably discharged or released under honorable
16 circumstances from active service in time of war in any branch
17 of the Armed Forces of the United States, including any member
18 of the American Merchant Marine during World War II who has
19 been honorably discharged and is declared by the United States
20 Department of Defense to be eligible for federal veterans'
21 benefits, and a surviving spouse as defined herein, during her
22 widowhood or his widowerhood, and while a resident of this State,
23 shall be entitled, annually, on proper claim being made therefor,
24 to a deduction from the amount of any tax bill for taxes on real
25 or personal property or both in the sum of \$50.00 or if the amount
26 of any such tax shall be less than \$50.00, to a cancellation
27 thereof.

28 (cf: P.L.1985, c.515, s.7)]²

29 ²35. (New section) a. The special veterans' retirement
30 allowance for which a retirant of the Teachers' Pension and
31 Annuity Fund, the Board of Education Employees' Retirement
32 Fund of Essex County, the Public Employees' Retirement
33 System, or the Police and Firemen's Retirement System, or a
34 retirant under R.S.43:4-1 et seq., who was a member of the
35 American Merchant Marine during World War II would qualify
36 pursuant to this amendatory act, P.L. , c. , is applicable to
37 retirements on or after the effective date of that act, and to
38 retirements after January 19, 1988 and prior to the effective
39

1 date of that act but only for benefit payments on or after the
effective date of that act.

3 b. The provisions of section 7 of P.L.1969, c.169 (C.43:3B-8)
are not applicable to the benefit increases pursuant to this
5 amendatory act, P.L. , c. . For retirees and beneficiaries
who receive benefit increases, the benefit year for the purposes
7 of the Pension Adjustment Act (P.L.1958, c.143; C.43:3B-1 et
seq.) is the year that this act, P.L. , c. , takes effect. The
9 pension adjustment benefits being paid to these retirees and
beneficiaries on the effective date of that act shall continue to
11 be paid to them as a fixed supplement. The fixed supplement
shall not be used to determine pension adjustment benefits.²

13 ²[39.] ^{36.}² This act shall take effect immediately ²[, except
15 that sections 1, 36, 37, and 38 shall take effect upon the passage
17 by the Legislature and approval by the voters at a general
election of a constitutional amendment authorizing those benefits
19 for American merchant marines who served during World War II
and have been declared by the United States Department of
Defense to be eligible for federal veterans' benefits (now pending
before the Legislature as SCR of 1988)]².

23 VETERANS

25 State Government

27 Changes definition of veteran to include members of the
American Merchant Marine during World War II who are declared
29 by the U.S. Dept. of Defense to be eligible for federal veterans'
benefits.

SENATE STATE GOVERNMENT,
FEDERAL AND INTERSTATE RELATIONS AND
VETERANS' AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 2474

with Senate committee amendments

STATE OF NEW JERSEY

DATED: JUNE 30, 1988

The Senate State Government, Federal and Interstate Relations and Veterans' Affairs Committee reports favorably and with committee amendments Senate Bill No. 2474.

This bill includes in the definition of a veteran any member of the American Merchant Marine who served during World War II and is declared by the United States Department of Defense to be eligible for federal veterans' benefits. This change enables such a member or the member's spouse, as the case may be, to qualify for benefits currently available to resident veterans. This bill reflects a 1988 decision by the United States Department of Defense to declare the persons who served as members of the American Merchant Marine on ocean-going merchant ships during World War II to be eligible for federal veterans' benefits.

The bill also specifies the termination dates of the Korean and Vietnam conflicts and eliminates the phrases "as shall be determined by Proclamation of the President of the United States or concurrent resolution of the United States Congress" and "as proclaimed by the Governor."

COMMITTEE AMENDMENTS

The committee amended the bill to specify additional appropriate termination dates concerning the Korean and Vietnam conflicts.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

SENATE, No. 2474

STATE OF NEW JERSEY

DATED: DECEMBER 1, 1988

The Senate Revenue, Finance and Appropriations Committee reported Senate Bill No. 2474 [1R] favorably.

Senate Bill No. 2474 [1R] includes in the definitions of "veteran" in the statutes any member of the American Merchant Marine who served during World War II and is declared by the United States Department of Defense to be eligible for federal veterans' benefits. This change enables such a member or the member's spouse, as the case may be, to qualify, as of the date of enactment, for benefits currently available to resident veterans. This bill reflects a 1988 decision by the United States Department of Defense to declare the persons who served as members of the American Merchant Marine on ocean-going merchant ships during World War II to be eligible for federal veterans' benefits.

The bill also specifies the termination dates of the Korean and Vietnam conflicts and eliminates the phrases "as shall be determined by Proclamation of the President of the United States or concurrent resolution of the United States Congress" and "as proclaimed by the Governor."

Some of the laws concerning veterans which will now include Merchant Marines are: veterans' preference for civil service positions, the inclusion of service years in seniority determinations for teachers, veterans' pension benefits and veterans' property tax deductions.

FISCAL IMPACT

This bill does not include an appropriation. The information in the Office of Legislative Services fiscal estimate on pension benefits has been updated by the Division of Pensions. Based on that updated information, the approximate cost of providing veterans pension benefits to an eligible Merchant Marine would be \$40,000 per person annually. It is unknown how many Merchant Marines are currently

ASSEMBLY VETERANS' AFFAIRS AND DEFENSE COMMITTEE

STATEMENT TO

[FIRST REPRINT]

SENATE, No. 2474

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 8, 1989

The Assembly Veterans Affairs and Defense Committee reports favorably and with committee amendments Senate, No. 2474 (1R).

This bill includes in the definition of a veteran any member of the American Merchant Marine who served during World War II and is declared by the United States Department of Defense to be eligible for federal veterans' benefits. This change enables such a member or the member's spouse, as the case may be, to qualify for benefits currently available to resident veterans. This bill reflects a 1988 decision by the United States Department of Defense to declare the persons who served as members of the American Merchant Marine on ocean-going merchant ships during World War II to be eligible for federal veterans' benefits.

The bill also specifies the termination dates of the Korean and Vietnam conflicts and eliminates the phrases "as shall be determined by Proclamation of the President of the United States or concurrent resolution of the United States Congress" and "as proclaimed by the Governor."

COMMITTEE AMENDMENTS

The committee amended the bill to: 1) delete an amendment to current law which would have added members of the American Merchant Marine who served on ocean-going ships during World War II to the law which defines a veteran for career service purposes, since the Commissioner of Personnel has determined that such persons are already veterans under the definition of a veteran used in current career service law; 2) delete amendments to current law which would have added members of the American Merchant Marine who served on ocean-going ships during World War II to the laws which define a veteran for the purpose of receiving a total personal property tax exemption or a personal property tax rebate, since the State Treasurer has determined that such persons are already

veterans under the definition of a veteran used in current personal property tax law; 3) change the date that the act shall take effect from "immediately, except for those sections which shall take effect upon the approval of a constitutional amendment authorizing the career service and personal property tax benefits" to "immediately"; and 4) provide that persons who retired on or after the date that the United States Department of Defense determined that American Merchant Marines who served during World War II shall be eligible for federal veterans' benefits (January 19, 1988) would henceforth receive the special veterans' retirement allowance provided for by current State law.

STATE OF NEW JERSEY

INTRODUCED JUNE 16, 1988

By Senators GAGLIANO, HAINES, CONNORS,
DiFRANCESCO and GORMLEY

1 A SUPPLEMENT to "An Act making appropriations for the support of the State
Government and the several public purposes for the fiscal year ending June
3 30, 1989 and regulating the disbursement thereof," approved ¹June 30¹, 1988
(P.L.1988, c. ¹47¹).

5
7 BE IT ENACTED by the Senate and General Assembly of the State of New
Jersey:

9 1. In addition to the amounts appropriated under P.L.1988, c. ¹47¹, there is
appropriated out of the General Fund the following sum for the purpose
specified:

11

DIRECT STATE SERVICES

13

46 DEPARTMENT OF HEALTH

20 Physical and Mental Health

15

21 Health Services

17 02-4220 ¹[Local and]¹ Community

Health Services ¹[\$220,000] \$310,000¹

19 Special Purpose:

Lyme Disease program ¹[(~~\$220,000~~)] (\$310,000)¹

21 2. This act shall take effect immediately ¹[but shall remain inoperative until
the enactment into law of the annual appropriations act for the fiscal year
23 ending June 30, 1989, P.L.1988, c. ...]¹.

25

HEALTH

27

Health Care Facilities and Providers

29 Supplemental appropriation of \$310,000 to DOH to establish a Lyme Disease
program.

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SIH committee amendments adopted September 19, 1988.

SENATE INSTITUTIONS, HEALTH AND WELFARE COMMITTEE

STATEMENT TO

SENATE, No. 2677

with Senate committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 19, 1988

The Senate Institutions, Health and Welfare Committee favorably reports Senate Bill No. 2677 with committee amendments.

As amended by committee, this bill appropriates \$310,000 to the Department of Health to establish programs with respect to education, prevention and treatment of Lyme Disease and to enhance the department's laboratory services in testing for the disease. Lyme Disease, which is spread by deer ticks, is one of the fastest growing public health problems. The disease is relatively unknown and is often misdiagnosed which results in more serious health problems.

The committee amended the bill to increase the appropriation by \$90,000 to provide funds for laboratory testing services. Other committee amendments are technical and conform references in the bill to the FY 1989 Appropriations Act.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

SENATE, No. 2677

STATE OF NEW JERSEY

DATED: NOVEMBER 21, 1988

The Senate Revenue, Finance and Appropriations Committee reported Senate Bill No. 2677 [1R] favorably.

Senate Bill No. 2677 [1R] appropriates \$310,000 to the Department of Health to establish programs with respect to education, prevention and treatment of Lyme Disease and to enhance the department's laboratory services in testing for the disease. Lyme Disease, which is spread by deer ticks, is a growing public health problem. The disease is relatively unknown and is often misdiagnosed which results in more serious health problems.

FISCAL IMPACT

This bill appropriates \$310,000 from the General Fund to the Department of Health for Lyme Disease programs. Of that amount, \$90,000 is for laboratory testing services and the remaining amount is for education and community awareness programs, surveillance and research.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

SENATE, No. 2677

STATE OF NEW JERSEY

DATED: MARCH 2, 1989

The Assembly Appropriations Committee reports favorably Senate Bill No. 2677 (1R).

Senate Bill No. 2677 (1R) appropriates \$310,000 to the Department of Health to establish programs for education, prevention and treatment of Lyme disease.

Lyme disease is the most common tick-borne illness in the United States, and New Jersey is one of the states in which the disease is most prevalent. The disease is often misdiagnosed or not diagnosed; if untreated, it can result in neurological disorders and severe arthritis in its advanced stages.

Lyme disease was first identified in the State in Monmouth County in 1978, and about half of the cases reported in New Jersey through 1986 have occurred in Monmouth and Ocean counties. There were 327 cases of Lyme disease reported in New Jersey in 1987 and a substantially larger number in 1988; however, it is estimated that this total represents only a small percentage of diagnosed cases.

This bill was heard in sub-committee on February 27, 1989 and is identical to Assembly Bill No. 3471 (1R).

FISCAL IMPACT

This bill makes a supplemental appropriation of \$310,000 from the General Fund to the Department of Health.

STATE OF NEW JERSEY

INTRODUCED JUNE 20, 1988

By Senator CODEY

1 A SUPPLEMENT to "An Act making appropriations for the support of the
2 State Government and the several public purposes for the fiscal year ending
3 June 30, 1989 and regulating the disbursement thereof," approved ¹June
4 30¹, 1988 (P.L.1988, c. ¹47¹).

5

6 BE IT ENACTED by the Senate and General Assembly of the State of New
7 Jersey:

8 1. In addition to the amounts appropriated under P.L. 1988, c. ¹47¹, there
9 is appropriated out of the General Fund the following sum for the purpose
10 specified:

11

DIRECT STATE SERVICES

13

50 DEPARTMENT OF HIGHER EDUCATION

30 Educational, Cultural and Intellectual Development

15

36 Higher Educational Services

17

5400 Office of the Chancellor

02-5400 Support to Independent Institutions.....\$5,200,000

19 Grant:

Seton Hall University School of Law, new facilities..(\$5,200,000)

21

22 The grant to be provided by this appropriation shall be for construction of
23 new facilities for the Seton Hall University School of Law, ¹[provided]
24 pursuant to a grant agreement between the Chancellor and the university
25 which shall provide¹ that: the university provides funds in support of such
26 project in an amount equal to or greater than the amount of the grant; such
27 facilities are located within the city of Newark; and, the school continues its
28 current level of clinical programs providing legal services to the public, for a
29 period of at least three years.

30 ¹2. The grant agreement, which shall be executed before the transfer of
31 the grant moneys, shall further provide that Seton Hall University shall not
32 utilize the facilities, constructed in whole or in part with moneys appropriated
33 hereinabove, for other than educational purposes unless the university

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SRF committee amendments adopted December 8, 1988.

1 receives prior approval from the Board of Higher Education.¹

3 13. The grant agreement shall further provide that if Seton Hall University
sells or otherwise disposes of any interest in the facilities that are
constructed in whole or in part with moneys appropriated hereinabove, Seton
Hall University shall repay the amount appropriated hereinabove to the
General Fund in a manner as shall be determined by the State Treasurer.¹

7 1[2.] 4.1 This act shall take effect immediately¹[but shall remain
inoperative until the enactment into law of the annual appropriations act for
the fiscal year ending June 30, 1989, P.L.1988, c.....]¹.

11 HIGHER EDUCATION

13 Building and Construction

15 Supplemental appropriation of \$5,200,000 to the Department of Higher
 Education for grant to Seton Hall University School of Law.

SENATE EDUCATION COMMITTEE

STATEMENT TO

SENATE, No. 2685

STATE OF NEW JERSEY

DATED: SEPTEMBER 19, 1988

The Senate Education Committee favorably reports this bill without committee amendments.

This bill makes a supplemental appropriation of \$5,200,000 to the Department of Higher Education for a grant to the Seton Hall University School of Law for construction of new facilities for the school.

The grant is contingent upon the university providing funds in support of the project in an amount equal to or greater than the amount of the grant. In addition, the facilities must be located within the city of Newark, and, the school must continue its current level of clinical programs providing legal services to the public for a period of at least three years.

The total cost of the construction program will be \$30 million. Of that amount, between \$10 million and 15 million dollars was incurred by the University as a result of its decision to remain in the city of Newark and thus sustain its clinical programs rather than to relocate to a less expensive facility in Roseland, New Jersey. This grant will help offset a portion of that shortfall.

DATE: SEPTEMBER 1, 1983

The Senate Education Committee today reports this bill without committee amendments.

This bill makes a substantial appropriation of \$5,500,000 to the Department of Public Education for a grant to the State University School of Law for construction of new facilities for the school.

The grant is contingent upon the university providing funds in support of the project in an amount equal to the total amount of the grant. In addition, the facilities must be located within the city of Newark, and the school must continue its current level of clinical programs providing legal services to the public for a period of at least three years.

The total cost of the construction program will be \$10 million. Of that amount, between \$2 million and \$5 million dollars will be provided by the University as a result of its decision to remain in the city of Newark and continue its clinical programs rather than to relocate to a less expensive site in Roseland, New Jersey. The grant will help offset a portion of that shortfall.

STATE OF NEW JERSEY

INTRODUCED JUNE 20, 1988

By Senator CODEY

1 A **SUPPLEMENT** to "An Act making appropriations for the support of the
2 State Government and the several public purposes for the fiscal year ending
3 June 30, 1989 and regulating the disbursement thereof," approved ¹June
4 30¹, 1988 (P.L.1988, c.147¹).
5

6
7 BE IT ENACTED by the Senate and General Assembly of the State of New
8 Jersey:

9 1. In addition to the amounts appropriated under P.L. 1988, c. 147¹, there
10 is appropriated out of the General Fund the following sum for the purpose
11 specified:

12 DIRECT STATE SERVICES

13 50 DEPARTMENT OF HIGHER EDUCATION

14 30 Educational, Cultural and Intellectual Development

15 36 Higher Educational Services

16 5400 Office of the Chancellor

17
18 02-5400 Support to Independent Institutions.....\$5,200,000

19 Grant:

20 Seton Hall University School of Law, new facilities..(\$5,200,000)
21

22 The grant to be provided by this appropriation shall be for construction of
23 new facilities for the Seton Hall University School of Law, ¹[provided]
24 pursuant to a grant agreement between the Chancellor and the university
25 which shall provide¹ that: the university provides funds in support of such
26 project in an amount equal to or greater than the amount of the grant; such
27 facilities are located within the city of Newark; and, the school continues its
28 current level of clinical programs providing legal services to the public, for a
29 period of at least three years.

30 ¹2. The grant agreement, which shall be executed before the transfer of
31 the grant moneys, shall further provide that Seton Hall University shall not
32 utilize the facilities, constructed in whole or in part with moneys appropriated
33 hereinabove, for other than educational purposes unless the university

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

Senate SRF committee amendments adopted December 8, 1988.

1 receives prior approval from the Board of Higher Education.¹

3 13. The grant agreement shall further provide that if Seton Hall University
 5 sells or otherwise disposes of any interest in the facilities that are
constructed in whole or in part with moneys appropriated hereinabove, Seton
Hall University shall repay the amount appropriated hereinabove to the
General Fund in a manner as shall be determined by the State Treasurer.¹

7 1[2.] 4.¹ This act shall take effect immediately ¹[but shall remain
 9 inoperative until the enactment into law of the annual appropriations act for
the fiscal year ending June 30, 1989, P.L.1988, c.....]¹.

11

HIGHER EDUCATION

13

Building and Construction

15

Supplemental appropriation of \$5,200,000 to the Department of Higher
 Education for grant to Seton Hall University School of Law.

STATE OF NEW JERSEY

INTRODUCED JUNE 23, 1988

By Senators FELDMAN, AMBROSIO, GRAVES and EWING

1 A SUPPLEMENT to "An Act making appropriations for the support of the State
Government and the several public purposes for the fiscal year ending June
3 30, 1989 and regulating the disbursement thereof," approved ¹June 30¹, 1988
(P.L. 1988, c. 147¹).

5

BE IT ENACTED *by the Senate and General Assembly of the State of New
7 Jersey:*

1. In addition to the amounts appropriated under P.L.1988, c.¹⁴⁷¹, there is
9 appropriated out of the General Fund the following sum for the purpose
specified:

11

DIRECT STATE SERVICES

13

46 DEPARTMENT OF HEALTH

20 Physical and Mental Health

15

21 Health Services

17 02-4220 Community Health Services ¹[\$1,500,000] \$750,000¹

Grants:

19

Diagnosis and treatment of birth defects and

genetic diseases.....¹[(¹\$1,500,000)] (¹\$750,000)¹

21

2. This act shall take effect immediately ¹[but shall remain inoperative until
the enactment into law of the annual appropriations act for the fiscal year
23 ending June 30, 1989, P.L. 1988, c. ...]¹.

25

HEALTH

27

Children

29 Supplemental appropriation of \$750,000 to the Department of Health to expand
activities in the areas of diagnosis and treatment of birth defects and genetic
31 diseases.

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

Senate SRF committee amendments adopted December 8, 1988.

STATEMENT TO

SENATE, No. 2699

STATE OF NEW JERSEY

DATED: SEPTEMBER 19, 1988

The Senate Institutions, Health and Welfare Committee favorably reports Senate Bill No. 2699.

This bill appropriates \$1,500,000 to the Department of Health to expand the department's activities in the areas of diagnosis and treatment of birth defects and genetic diseases. Specifically, \$1,200,000 of the appropriation will be used to support genetic and teratology counseling, and laboratory and treatment services to persons at risk of having children with serious mental and physical birth defects and genetic diseases. The remaining \$300,000 will be used to expand the State's newborn screening and treatment program to include children with hemoglobinopathies such as sickle cell anemia and Thalassemia.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2699

with Senate committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 21, 1988

The Senate Revenue, Finance and Appropriations Committee favorably reports Senate Bill No. 2699 with Senate committee amendments.

Senate Bill No. 2699, as amended, appropriates \$750,000 to the Department of Health for expansion of the department's activities in the areas of diagnosis and treatment of birth defects and genetic diseases.

Of this amount, \$600,000 is intended to be used to support genetic and teratology counseling, laboratory and treatment services to persons at risk of having children with serious mental and physical birth defects and genetic diseases. The remaining \$150,000 is intended to be used to expand the newborn screening and treatment program to include children with hemoglobinopathies such as sickle cell anemia and Thalassemia.

This bill, as amended, is identical to Assembly Bill 2949 [1R].

COMMITTEE AMENDMENTS

The committee amendments are technical in nature to reflect the current fiscal year appropriations act and also reduce the appropriation amount from \$1.5 million to \$750,000.

FISCAL IMPACT

This bill, as amended, makes a supplemental appropriation of \$750,000 from the General Fund to the Department of Health for fiscal year 1989, for diagnosis and treatment of birth defects and genetic diseases. The fiscal year 1989 budget currently includes a \$400,000 special purpose item for newborn screening, followup and treatment for hemoglobins, and a \$115,000 grant for testing for specific hereditary diseases.

STATE OF NEW JERSEY

INTRODUCED APRIL 18, 1988

By Assemblyman FRELINGHUYSEN

1 A SUPPLEMENT to "An Act making appropriations for the support of the
2 State Government and the several public purposes for the fiscal year ending
3 June 30, ¹[1988] 1989¹ and regulating the disbursement thereof," approve^d
4 June 30, ¹[1987 (P.L.1987, c.154)] 1988 (P.L.1988, c.47)¹.

5
6 BE IT ENACTED by the Senate and General Assembly of the State of New
7 Jersey:

8 1. In addition to the amounts appropriated under P.L.¹[1987, c.154] 1988,
9 c.47¹, there is appropriated out of the General Fund the following sum for the
10 purpose specified:

11
12 DIRECT STATE SERVICES
13 46 DEPARTMENT OF HEALTH
14 20 Physical and Mental Health
15 21 Health Services

16
17 02-4220 ¹[Local and]¹ Community Health
18 Services ¹[\$1,500,000] \$750,000¹

19 Grants:

20 Diagnosis and treatment of birth defects
21 and genetic diseases (¹[\$1,500,000] \$750,000¹)

22 2. This act shall take effect immediately.

23

24
25 HEALTH
26 Children

27

28 Supplemental appropriation of \$750,000 to Department of Health to expand
29 activities in the areas of diagnosis and treatment of birth defects and genetic
30 diseases.

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AAP committee amendments adopted September 26, 1988.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2949

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 26, 1988

The Assembly Appropriations Committee favorably reports Assembly Bill No. 2949 with Assembly committee amendments.

Assembly Bill No. 2949, as amended, appropriates \$750,000 to the Department of Health for expansion of the department's activities in the areas of diagnosis and treatment of birth defects and genetic diseases.

Of this amount, \$600,000 is intended to be used to support genetic and teratology counseling, laboratory and treatment services to persons at risk of having children with serious mental and physical birth defects and genetic diseases. The remaining \$150,000 is intended to be used to expand the newborn screening and treatment program to include children with hemoglobinopathies such as sickle cell anemia and Thalassemia.

FISCAL IMPACT

This bill, as amended, makes a supplemental appropriation of \$750,000 from the General Fund to the Department of Health for fiscal year 1989, for diagnosis and treatment of birth defects and genetic diseases. The fiscal year 1989 budget currently includes a \$400,000 special purpose item for newborn screening, followup and treatment for hemoglobins, and a \$115,000 grant for testing for specific hereditary diseases.

COMMITTEE AMENDMENTS

The committee amendments are technical in nature to reflect the current fiscal year appropriations act and also reduce the appropriation amount from \$1.5 million to \$750,000.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 2949

STATE OF NEW JERSEY

DATED: NOVEMBER 21, 1988

The Senate Revenue, Finance and Appropriations Committee reported Assembly Bill No. 2949 [1R] favorably.

Assembly Bill No. 2949 [1R] appropriates \$750,000 to the Department of Health for expansion of the department's activities in the areas of diagnosis and treatment of birth defects and genetic diseases.

Of this amount, \$600,000 is intended to be used to support genetic and teratology counseling, laboratory and treatment services to persons at risk of having children with serious mental and physical birth defects and genetic diseases. The remaining \$150,000 is intended to be used to expand the newborn screening and treatment program to include children with hemoglobinopathies such as sickle cell anemia and Thalassemia.

This bill is identical to Senate Bill 2699, as amended.

FISCAL IMPACT

This bill makes a supplemental appropriation of \$750,000 from the General Fund to the Department of Health for fiscal year 1989, for diagnosis and treatment of birth defects and genetic diseases. The fiscal year 1989 budget currently includes a \$400,000 special purpose item for newborn screening, followup and treatment for hemoglobins, and a \$115,000 grant for testing for specific hereditary diseases.

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 26, 1988

By Senators BASSANO and CODEY

1 AN ACT providing for Medicaid coverage of hospice services and
amending P.L.1968, c.413.

3

BE IT ENACTED *by the Senate and General Assembly of the*
5 *State of New Jersey:*

1. Section 6 of P.L.1968, c.413 (C.30:4D-6) is amended to read
7 as follows:

6. a. Subject to the requirements of Title XIX of the federal
9 Social Security Act, the limitations imposed by this act and by
the rules and regulations promulgated pursuant thereto, the
11 department shall provide medical assistance to qualified
applicants, including authorized services within each of the
13 following classifications:

- (1) Inpatient hospital services;
- 15 (2) Outpatient hospital services;
- (3) Other laboratory and X-ray services;
- 17 (4)(a) Skilled nursing or intermediate care facility services;

(b) Such early and periodic screening and diagnosis of
19 individuals who are eligible under the program and are under age
21, ascertain their physical or mental defects and such health
care, treatment, and other measures to correct or ameliorate
23 defects and chronic conditions discovered thereby, as may be
provided in regulations of the Secretary of the federal
Department of Health and Human Services and approved by the
25 commissioner;

(5) Physician's services furnished in the office, the patient's
27 home, a hospital, a skilled nursing or intermediate care facility or
elsewhere.

b. Subject to the limitations imposed by federal law, by this
29 act, and by the rules and regulations promulgated pursuant
thereto, the medical assistance program may be expanded to
31 include authorized services within each of the following
33 classifications:

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SIH committee amendments adopted September 29, 1988.

1 (1) Medical care not included in subsection a.(5) above, or any
other type of remedial care recognized under State law, furnished
3 by licensed practitioners within the scope of their practice, as
defined by State law;

5 (2) Home health care services;

(3) Clinic services;

7 (4) Dental services;

(5) Physical therapy and related services;

9 (6) Prescribed drugs, dentures, and prosthetic devices; and
eyeglasses prescribed by a physician skilled in diseases of the eye
11 or by an optometrist, whichever the individual may select;

(7) Optometric services;

13 (8) Podiatric services;

(9) Chiropractic services;

15 (10) Psychological services;

(11) Inpatient psychiatric hospital services for individuals
17 under 21 years of age, or under age 22 if they are receiving such
services immediately before attaining age 21;

19 (12) Other diagnostic, screening, preventive, and rehabilitative
services, and other remedial care;

21 (13) Inpatient hospital services, skilled nursing facility services
and intermediate care facility services for individuals 65 years of
23 age or over in an institution for mental diseases;

(14) Intermediate care facility services;

25 (15) Transportation services;

(16) Services in connection with the inpatient or outpatient
27 treatment or care of drug abuse, when the treatment is
prescribed by a physician and provided in a licensed hospital or in
29 a narcotic and drug abuse treatment center approved by the
Department of Health pursuant to P.L.1970, c.334 (C.26:2G-21 et
31 seq.) and whose staff includes a medical director, and limited to
those services eligible for federal financial participation under
33 Title XIX of the federal Social Security Act;

(17) Any other medical care and any other type of remedial
35 care recognized under State law, specified by the Secretary of
the federal Department of Health and Human Services, and
37 approved by the commissioner;

(18) Comprehensive maternity care, which may include: the
39 basic number of prenatal and postpartum visits recommended by

1 the American College of Obstetrics and Gynecology; additional
prenatal and postpartum visits that are medically necessary;
3 necessary laboratory, nutritional assessment and counseling,
health education, personal counseling, managed care, outreach
5 and follow-up services; treatment of conditions which may
complicate pregnancy; and physician or certified nurse-midwife
7 delivery services;

(19) Comprehensive pediatric care, which may include:
9 ambulatory, preventive and primary care health services. The
preventive services shall include, at a minimum, the basic number
11 of preventive visits recommended by the American Academy of
Pediatrics;

13 (20) Services provided by a hospice which is participating in
the Medicare program established pursuant to Title XVIII of the
15 Social Security Act. Pub. L.89-97 (42 U.S.C. § 1395 et seq.).
Hospice services shall be provided subject to approval of the
17 Secretary of the federal Department of Health and Human
Services for federal reimbursement.

19 c. Payments for the foregoing services, goods and supplies
furnished pursuant to this act shall be made to the extent
21 authorized by this act, the rules and regulations promulgated
pursuant thereto and, where applicable, subject to the agreement
23 of insurance provided for under this act. Said payments shall
constitute payment in full to the provider on behalf of the
25 recipient. Every provider making a claim for payment pursuant
to this act shall certify in writing on the claim submitted that no
27 additional amount will be charged to the recipient, his family, his
representative or others on his behalf for the services, goods and
29 supplies furnished pursuant to this act.

No provider whose claim for payment pursuant to this act has
31 been denied because the services, goods or supplies were
determined to be medically unnecessary shall seek reimbursement
33 from the recipient, his family, his representative or others on his
behalf for such services, goods and supplies provided pursuant to
35 this act; provided, however, a provider may seek reimbursement
from a recipient for services, goods or supplies not authorized by
37 this act, if the recipient elected to receive the services, goods or
supplies with the knowledge that they were not authorized.

39 d. Any individual eligible for medical assistance (including
drugs) may obtain such assistance from any person qualified to

1 perform the service or services required (including an
2 organization which provides such services, or arranges for their
3 availability on a prepayment basis), who undertakes to provide
4 him such services.

5 No copayment or other form of cost-sharing shall be imposed
6 on any individual eligible for medical assistance, except as
7 mandated by federal law as a condition of federal financial
8 participation.

9 e. Anything in this act to the contrary notwithstanding, no
10 payments for medical assistance shall be made under this act
11 with respect to care or services for any individual who:

12 (1) Is an inmate of a public institution (except as a patient in a
13 medical institution); provided, however, that an individual who is
14 otherwise eligible may continue to receive services for the month
15 in which he becomes an inmate, should the commissioner
16 determine to expand the scope of Medicaid eligibility to include
17 such an individual, subject to the limitations imposed by federal
18 law and regulations, or

19 (2) Has not attained 65 years of age and who is a patient in an
20 institution for mental diseases, or

21 (3) Is over 21 years of age and who is receiving inpatient
22 psychiatric hospital services in a psychiatric facility; provided,
23 however, that an individual who was receiving such services
24 immediately prior to attaining age 21 may continue to receive
25 such services until he reaches age 22. Nothing in this subsection
26 shall prohibit the commissioner from extending medical
27 assistance to all eligible persons receiving inpatient psychiatric
28 services; provided that there is federal financial participation
29 available.

30 f. Any provision in a contract of insurance, will, trust
31 agreement or other instrument which reduces or excludes
32 coverage or payment for goods and services to an individual
33 because of that individual's eligibility for or receipt of Medicaid
34 benefits shall be null and void, and no payments shall be made
35 under this act as a result of any such provision.

36 g. The following services shall be provided to eligible
37 medically needy individuals as follows:

38 (1) Pregnant women shall be provided prenatal care and
39 delivery services and postpartum care, including the services

1 cited in subsection a.(1), (3) and (5) of section 6 of P.L.1968,
c.413 (C.30:4D-6a.(1), (3) and (5)) and subsection b.(1)-(10), (12),
3 (15) and (17) of section 6 of P.L.1968, c.413 (C.30:4D-6b.(1)-(10),
(12), (15) and (17)).

5 (2) Dependent children shall be provided with services cited in
subsection a.(3) and (5) of section 6 of P.L.1968, c.413
7 (C.30:4D-6a.(3) and (5)) and subsection b.(1), (2), (3), (4), (5), (6),
(7), (10), (12), (15) and (17) of section 6 of P.L.1968, c.413
9 (C.30:4D-6b.(1), (2), (3), (4), (5), (6), (7), (10), (12), (15) and (17)).

(3) Individuals who are 65 years of age or older shall be
11 provided with services cited in subsection a.(3) and (5) of section
6 of P.L.1968, c.413 (C.30:4D-6a.(3) and (5)) and subsection
13 b.(1)-(5), (6) excluding prescribed drugs, (7), (8), (10), (12), (15)
and (17) of section 6 of P.L.1968, c.413 (C.30:4D-6b.(1)-(5), (6)
15 excluding prescribed drugs, (7), (8), (10), (12), (15) and (17)).

(4) Individuals who are blind or disabled shall be provided with
17 services cited in subsection a.(3) and (5) of section 6 of P.L.1968,
c.413 (C.30:4D-6a.(3) and (5)) and subsection b.(1)-(5), (6)
19 excluding prescribed drugs, (7), (8), (10), (12), (15) and (17) of
section 6 of P.L.1968, c.413 (C.30:4D-6b.(1)-(5), (6) excluding
21 prescribed drugs, (7), (8), (10), (12), (15) and (17)).

(5)(a) Inpatient hospital services, subsection a.(1) of section 6
23 of P.L.1968, c.413 (C.30:4D-6a.(1)), shall only be provided to
eligible medically needy individuals, other than pregnant women,
25 if the federal Department of Health and Human Services
discontinues the State's waiver to establish inpatient hospital
27 reimbursement rates for the Medicare and Medicaid programs
under the authority of section 601(c)(3) of the Social Security Act
29 Amendments of 1983, Pub.L.98-21 (42 U.S.C. § 1395ww(c)(5)).
Inpatient hospital services may be extended to other eligible
31 medically needy individuals if the federal Department of Health
and Human Services directs that these services be included.

(b) Outpatient hospital services, subsection a.(2) of section 6
33 of P.L.1968, c.413 (C.30:4D-6a.(2)), shall only be provided to
eligible medically needy individuals if the federal Department of
35 Health and Human Services discontinues the State's waiver to
establish outpatient hospital reimbursement rates for the
37 Medicare and Medicaid programs under the authority of section
601(c)(3) of the Social Security Amendments of 1983, Pub.L.98-21
39

1 (42 U.S.C. § 1395ww(c)(5)). Outpatient hospital services may be
 2 extended to all or to certain medically needy individuals if the
 3 federal Department of Health and Human Services directs that
 4 these services be included. However, the use of outpatient
 5 hospital services shall be limited to clinic services and to
 6 emergency room services for injuries and significant acute
 7 medical conditions.

8 (c) The division shall monitor the use of inpatient and
 9 outpatient hospital services by medically needy persons.
 10 (cf: P.L.1987, c.115, s.3)

11 2. This act shall take effect ¹[immediately] one year after the
 12 date of enactment¹.

15 HEALTH

16 Public Assistance

17 Requires Medicaid program to cover hospice services.

SENATE INSTITUTIONS, HEALTH AND WELFARE COMMITTEE

STATEMENT TO

SENATE, No. 2907

with Senate committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 29, 1988

The Senate Institutions, Health and Welfare Committee favorably reports Senate Bill No. 2907 with committee amendments.

As amended by committee, this bill requires the Medicaid program to provide coverage for services provided by a hospice which is participating in the Medicare program. The bill stipulates that hospice services shall be covered by Medicaid subject to the approval of the federal Secretary of Health and Human Services for federal reimbursement.

Hospices provide palliative and supportive care for terminally ill patients and their families, making the entire family the unit of care and centering the caring process in the home. Hospice care includes social, physical, emotional, psychological and spiritual support for the patient and the patient's family, including the management of pain and other symptoms that will enable the patient to live as fully as possible, and bereavement care for the survivor.

The federal government has made hospice care available under the Medicare program since 1983. Patients who are eligible for Medicare hospital insurance can have their hospice care, including home care, covered by Medicare if the patient's doctor and the hospice medical director certify that the patient has a life expectancy of six months or less, and if the patient uses a Medicare-certified hospice provider. Medicare currently covers up to 210 days and pays up to \$68 a day for hospice care, although the limit on days of coverage will be eliminated under the "Medicare Catastrophic Coverage Act of 1988," Pub.L. 100-360, if the beneficiary is recertified at the end of the 210-day period as terminally ill by the attending physician or hospice medical director.

The committee amended the bill to extend the bill's effective date to one year from the date of enactment in order to provide the department with sufficient time to secure federal approval for the coverage of hospice services.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

SENATE, No. 2907

STATE OF NEW JERSEY

DATED: NOVEMBER 21, 1988

The Senate Revenue, Finance and Appropriations Committee reported Senate Bill No. 2907 [1R] favorably.

Senate Bill No. 2907 [1R] requires the Medicaid program to provide coverage for services provided by a hospice which is participating in the Medicare program. The bill stipulates that hospice services shall be covered by Medicaid subject to the approval of the federal Secretary of Health and Human Services for federal reimbursement.

The federal government has made hospice care available under the Medicare program since 1983. Patients who are eligible for Medicare hospital insurance can have their hospice care, including home care, covered by Medicare if the patient's doctor and the hospice medical director certify that the patient has a life expectancy of six months or less, and if the patient uses a Medicare-certified hospice provider. Medicare currently covers up to 210 days and pays up to \$68 a day for hospice care, although the limit on days of coverage will be eliminated under the "Medicare Catastrophic Coverage Act of 1988," Pub. L. 100-360, if the beneficiary is recertified at the end of the 210-day period as terminally ill by the attending physician or hospice medical director.

FISCAL IMPACT

The bill contains no appropriation. The Department of Human Services estimates that the State share of the cost of providing the hospice service will be approximately \$250,000 in the first year of operation and \$358,000 in the second year. An article in the Health Care Financing Review (Summer 1988) stated that the estimated costs of the federal Medicare hospice program equalled the estimated savings from the program.

SENATE COMMITTEE SUBSTITUTE FOR

SENATE, Nos. 2921 and 1891

STATE OF NEW JERSEY

ADOPTED DECEMBER 8, 1988

Sponsored by Senators RUSSO and EWING

1 AN ACT establishing a Governor's Council on Alcoholism and
2 Drug Abuse, supplementing Title 26 of the Revised Statutes,
3 amending P.L.1983, c.531 and N.J.S.2C:35-15, repealing
4 P.L.1983, c.304 and section 4 of P.L.1975, c.305, and making an
5 appropriation therefor.

7 BE IT ENACTED by the Senate and General Assembly of the
8 State of New Jersey:

9 1. (New section) The Legislature finds and declares that:
10 alcoholism and drug abuse are major health problems facing the
11 residents of this State; aspects of these problems extend into
12 many areas under various State departments; placement in, but
13 not of, the State Department of the Treasury is the most
14 appropriate and logical location for focusing a coordinated
15 planning and review effort to ameliorate these problems and for
16 establishing a Governor's Council on Alcoholism and Drug Abuse
17 as an independent coordinating, planning, research and review
18 body regarding all aspects of alcoholism and drug abuse; and a
19 merger of the Division of Alcoholism and the Division of
20 Narcotic and Drug Abuse Control within the State Department
21 of Health will enhance the effectiveness of the State's role in
22 formulating comprehensive and integrated public policy and
23 providing effective treatment, prevention and public awareness
24 efforts against alcoholism and drug abuse.

25 The Legislature further finds and declares that: as the
26 cooperation and active participation of all communities in the
27 State is necessary to achieve the goal of reducing alcoholism
28 and drug abuse, there should be established within the
29 Governor's Council on Alcoholism and Drug Abuse, an Alliance
30 to Prevent Alcoholism and Drug Abuse, to unite the
31 communities of this State in a coordinated and comprehensive
32 effort; and that the full resources of this State including
33 counties, municipalities and residents of the State must be

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SRF committee amendments adopted December 8, 1988.

² Senate floor amendments adopted December 19, 1988.

1 powers which he deems desirable to be exercised under his
supervision and control. All employees of the council except the
3 executive director and the deputy executive director shall be in
the career service of the Civil Service.

5 d. The executive director shall attend all meetings of the
Governor's Council on Alcoholism and Drug Abuse.

7 4. (New section) The Governor's Council on Alcoholism and
Drug Abuse is authorized and empowered to:

9 a. Review and coordinate all State departments' efforts in
regard to the planning and provision of treatment, prevention,
11 research, evaluation, and education services for, and public
awareness of, alcoholism and drug abuse;

13 b. Prepare by July 1 of each year, the State government
component of the Comprehensive Statewide Alcoholism and
15 Drug Abuse Master Plan for the treatment, prevention,
research, evaluation, education and public awareness of
17 alcoholism and drug abuse in this State, which plan shall include
an emphasis on prevention, community awareness, and family
19 and youth services;

c. Review each County Annual Alliance Plan and the
21 recommendations of the Division of Alcoholism and Drug Abuse
in the Department of Health for awarding the Alliance grants
23 and, by October 1 of each year, return the plan to the Local
Advisory Committee on Alcoholism and Drug Abuse with the
25 council's proposed recommendations for awarding Alliance
grants;

27 d. Submit to the Governor and the Legislature by December 1
of each year the Comprehensive Statewide Alcoholism and Drug
29 Abuse Master Plan which shall include recommended appropriate
allocations to State departments, local governments and local
31 agencies and service providers of all State and federal funds for
the treatment, prevention, research, evaluation, education and
33 public awareness of alcoholism and drug abuse in accordance
with the regular budget cycle, and shall incorporate and unify all
35 State, county, local and private alcohol and drug abuse
initiatives;

37 e. Distribute grants, upon the recommendation of the
executive director of the council, by August 1 of each year to
39 counties and municipalities for alcohol and drug abuse programs

1 established under the Alliance to Prevent Alcoholism and Drug Abuse;

3 f. Evaluate the existing funding mechanisms for alcoholism and drug abuse services and recommend to the Governor and the
5 Legislature any changes which may improve the coordination of services to citizens in this State;

7 g. Encourage the development or expansion of employee assistance programs for employees in both government and the
9 private sector;

11 h. Evaluate the need for, and feasibility of, including other addictions, such as smoking and gambling, within the scope and responsibility of the council;

13 i. Collect from any State, county, local governmental entity or any other appropriate source data, reports, statistics or other
15 materials which are necessary to carry out the council's functions; and

17 j. Pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), adopt rules and regulations necessary
19 to carry out the purposes of this act.

The council shall not accept or receive moneys from any
21 source other than moneys deposited in, and appropriated from, the "Drug Enforcement and Demand Reduction Fund"
23 established pursuant to N.J.S.2C:35-15 and any moneys appropriated by law for operating expenses of the council or
25 appropriated pursuant to section ¹[20] ¹⁹¹ of P.L., c. ... (C.) (now pending before the Legislature as this bill).

27 5. (New section) There is established in the Department of Health a Division of Alcoholism and Drug Abuse.

29 The division shall be administered by a Deputy Commissioner of Health. The deputy commissioner shall be a person qualified
31 by training and experience to perform the duties of his office. The deputy commissioner shall be appointed by the
33 commissioner with the approval of the Governor and shall serve at the pleasure of the commissioner during the commissioner's
35 term of office and until the appointment and qualification of the deputy commissioner's successor. The deputy commissioner
37 shall receive a salary which shall be provided by law.

The Commissioner of Health shall report annually to the
39 Governor and the Legislature on the activities of the division

1 and include in that annual report an assessment of the adequacy
2 of the current delivery of treatment services in the State and of
3 the need for additional treatment services.

4 6. (New section) All the functions, powers and duties of the
5 Director of the Division of Alcoholism and the Director of the
6 Division of Narcotic and Drug Abuse Control are transferred to
7 and vested in the Deputy Commissioner of Health for the
8 Division of Alcoholism and Drug Abuse, pursuant to the "State
9 Agency Transfer Act," P.L.1971, c.375 (C.52:14D-1 et seq.).

10 7. (New section) a. There is created an Alliance to Prevent
11 Alcoholism and Drug Abuse, hereinafter referred to as the
12 "Alliance," in the Governor's Council on Alcoholism and Drug
13 Abuse. The purpose of the Alliance is to create a network
14 comprised of all the communities in New Jersey which is
15 dedicated to a comprehensive and coordinated effort against
16 alcoholism and drug abuse. The Alliance shall be a mechanism
17 both for implementing policies to reduce alcoholism and drug
18 abuse at the municipal level, and for providing funds, including
19 moneys from mandatory penalties on drug offenders, to member
20 communities to support appropriate county and municipal-based
21 alcohol and drug abuse education and public awareness activities.

22 b. The Governor's Council on Alcoholism and Drug Abuse
23 shall adopt rules and regulations for participation in, and the
24 operation of, the Alliance and for the awarding of grants to
25 municipalities and counties from funds appropriated for such
26 purposes pursuant to P.L....., c.....(C.....) (now pending before
27 the Legislature as this bill) and funds derived from the "Drug
28 Enforcement and Demand Reduction Fund" established pursuant
29 to N.J.S. 2C:35-15, for the purpose of developing:

30 (1) Organized and coordinated efforts involving schools, law
31 enforcement, business groups and other community
32 organizations for the purpose of reducing alcoholism and drug
33 abuse;

34 (2) In cooperation with local school districts, comprehensive
35 and effective alcoholism and drug abuse education programs in
36 grades kindergarten through 12;

37 (3) In cooperation with local school districts, procedures for
38 the intervention, treatment and discipline of students abusing
39 alcohol or drugs;

(4) Comprehensive alcoholism and drug abuse education,

1 support and outreach efforts for parents in the community; and
2 (5) Comprehensive alcoholism and drug abuse community
3 awareness programs.

4 c. Funds disbursed under this section shall not supplant local
5 funds that would have otherwise been made available for
6 alcoholism and drug abuse initiatives. Communities shall
7 provide matching funds when and to the extent required by the
8 regulations adopted pursuant to this section.

9 d. ¹[Notwithstanding the provisions of any law to the
10 contrary, moneys provided to any instrumentality of government
11 pursuant to the provisions of this amendatory and supplementary
12 act shall not be included in the calculation of any spending
13 limitation imposed on the budget of that governmental
14 instrumentality.

15 e.¹ The county agency or individual designated by the
16 governing body of each county pursuant to subsection a. of
17 section 4 of P.L.1983, c.531 (C.26:2B-33), is authorized to
18 receive from the Governor's Council on Alcoholism and Drug
19 Abuse moneys made available pursuant to this section. The
20 designated county agency or individual shall establish a separate
21 fund for the receipt and disbursement of these moneys.

22 8. (New section) a. Each Local Advisory Committee on
23 Alcoholism and Drug Abuse, established pursuant to section 4 of
24 P.L.1983, c.531 (C.26:2B-33), shall establish a County Alliance
25 Steering Subcommittee in conjunction with regulations adopted
26 by the Governor's Council on Alcoholism and Drug Abuse. The
27 members of the subcommittee shall include, but not be limited
28 to, private citizens and representatives of the:

- 29 (1) Local Advisory Committee on Alcoholism and Drug Abuse;
30 (2) County Human Services Advisory Council;
31 (3) County Superintendent of Schools;
32 (4) Existing county council on alcoholism, if any;
33 (5) County Prosecutor's office;
34 (6) Family part of the Chancery Division of the Superior
35 Court;
36 (7) Youth Services Commission;
37 (8) County School Board Association;
38 (9) County health agency;
39 (10) County mental health agency;

- 1 (11) Local businesses;
- 2 (12) County affiliate of the New Jersey Education
- 3 Association; and
- 4 (13) Other service providers.

5 b. The functions of the County Alliance Steering Subcommittee shall include:

7 (1) Development and submission of a County Annual Alliance Plan for the expenditure of funds derived from the "Drug

9 Enforcement and Demand Reduction Fund," N.J.S.2C:35-15;

11 (2) Development of programs and fiscal guidelines consistent with directives of the Governor's Council on Alcoholism and Drug Abuse for the awarding of funds to counties and

13 municipalities for drug and alcohol Alliance activities;

15 (3) Identification of a network of community leadership for the expansion, replication and development of successful community model programs throughout the county; and

17 (4) Coordination of projects among and within municipalities to assure cost effectiveness and avoid fragmentation and

19 duplication.

21 c. The County Alliance Steering Subcommittee shall ensure that the funds dedicated to education pursuant to section 2 of P.L.1983, c.531 (C.54:32C-3.1) do not duplicate the Alliance

23 effort.

25 d. The Local Advisory Committee on Alcoholism and Drug Abuse shall review and approve the County Annual Alliance Plan and submit this plan by July 1 of each year to the Division of Alcoholism and Drug Abuse in the Department of Health and to the Governor's Council on Alcoholism and Drug Abuse.

29 e. After the County Annual Alliance Plan is returned by the Governor's Council on Alcoholism and Drug Abuse to the Local Advisory Committee on Alcoholism and Drug Abuse with the council's proposed recommendations for awarding the Alliance grants, pursuant to subsection c. of section 4 of this amendatory and supplementary act, the committee, in conjunction with the

31 council, may revise its plan in accordance with the council's

33 proposed recommendations.

35 The revised plan shall be completed in such time that it can be included in the council's recommendations to the Governor

37 and the Legislature that are due on December 1 of each year.

39

1 9. (New section) The governing body of each municipality
2 may appoint a Municipal Alliance Committee, or join with one
3 or more municipalities to appoint a Municipal Alliance
4 Committee. Membership on the Municipal Alliance Committee
5 may include the chief of police; the president of the school
6 board; the superintendent of schools; a student assistance
7 coordinator; a representative of the parent-teacher association;
8 1a representative of the local bargaining unit for teachers; 1 a
9 representative of the Chamber of Commerce; a municipal court
10 judge; representatives of local civic associations;
11 representatives of local religious groups; and private citizens.

12 The Municipal Alliance Committee, in consultation with the
13 Local Advisory Committee on Alcoholism and Drug Abuse, shall
14 identify alcoholism and drug prevention, education and
15 community needs. The committee also shall implement the
16 Alliance programs formulated pursuant to section 8 of P.L. ...,
17 c. ... (C.) (now pending before the Legislature as this bill).
18 The governing body of a municipality may match any funds it
19 receives from the Alliance.

20 10. (New section) Pursuant to the "Administrative Procedure
21 Act," P.L.1968, c.410 (C.52:14B-1 et seq.), the Commissioner of
22 Health shall adopt rules and regulations necessary to establish
23 the Division of Alcoholism and Drug Abuse pursuant to this act.

24 11. (New section) The advisory commission to the Alcohol
25 Education, Rehabilitation and Enforcement Fund, established
26 pursuant to section 3 of P.L.1983, c.531 (C.26:2B-32), is
27 abolished.

28 12. (New section) All acts and parts of acts inconsistent with
29 any of the provisions of this amendatory and supplementary act
30 are, to the extent of such inconsistency, superseded and
31 repealed.

32 13. Section 3 of P.L.1983, c.531 (C.26:2B-32) is amended to
33 read as follows:

34 3. An Alcohol Education, Rehabilitation and Enforcement
35 Fund is established as a nonlapsing, revolving fund in a separate
36 account in the Department of Health. [An advisory commission
37 having as its members the Commissioner of Health, the
38 Commissioner of Education, the Chancellor of Higher Education,
39 the Attorney General, or their designees, and a representative

1 of the counties designated by the Governor, shall be established
2 for the purpose of issuing an annual report to the Governor and
3 the Legislature to evaluate the expenditures which are made
4 from the fund.] The fund shall be credited with 10.75% of the
5 tax revenues collected pursuant to section 3 of P.L.1980, c.62
6 (C.54:32C-3). Interest received on moneys in the fund shall be
7 credited to the fund. Pursuant to the formula set forth in
8 section 5 of this act, moneys appropriated pursuant to law shall
9 only be distributed to the counties by the Department of Health,
10 without the assessment of administrative costs, to develop and
11 implement [a] an annual comprehensive plan for the treatment
12 of [intoxicated persons and] alcoholics and drug abusers and for
13 the expenditures established in section 2 of this act.

(cf: P.L.1983, c.531, s.3)

14 14. Section 4 of P.L.1983, c.531 (C.26:2B-33) is amended to
15 read as follows:

16 4. a. [Within 180 days of the enactment of this act, the] The
17 governing body of each county, in conjunction with the county
18 agency, or individual, designated by the county with the
19 responsibility for planning services and programs for the care or
20 rehabilitation of [intoxicated persons and] alcoholics and drug
21 abusers, shall submit to the [Director of] Deputy Commissioner
22 for the Division of Alcoholism and Drug Abuse and the
23 Governor's Council on Alcoholism and Drug Abuse [a] an annual
24 comprehensive plan for the provision of community services to
25 meet the needs of [intoxicated persons and] alcoholics and drug
26 abusers.

27 b. The annual comprehensive plan shall address the needs of
28 urban areas with a population of 100,000 or over and shall
29 demonstrate linkage with existing resources which serve
30 alcoholics and drug abusers and their families. Special attention
31 in the plan shall be given to alcoholism and drug abuse and
32 youth; drinking and drug abusing drivers; women and alcoholism
33 and drug abuse; the disabled and alcoholism and drug abuse;
34 alcoholism and drug abuse on the job; alcoholism and drug abuse
35 and crime; public information; and educational programs as
36 defined in subsection c. of this section. Each county shall
37 identify, within its annual comprehensive plan, the Intoxicated
38 Driver Resource Center which shall service its population, as is

1 required under subsection (f) of R.S.39:4-50. The plan may
involve the provision of programs and services by the county, by
3 an agreement with a State agency, by private organizations,
including volunteer groups, or by some specified combination of
5 the above.

If the State in any year fails to deposit a minimum of 10.75%
7 of the receipts derived from the tax under section 3 of P.L.1980,
c.62 (C.54:32C-3), a county may reduce or eliminate, or both,
9 the operation of existing programs currently being funded from
the proceeds deposited in the Alcohol Education, Rehabilitation
11 and Enforcement Fund.

c. Programs established with the funding for education as
13 provided in section 2 of this act shall include all courses in the
public schools required pursuant to [N.J.S.18A:35-4] P.L.1987,
15 c.389 (C.18A:40A-1 et seq.), programs for students included in
the annual comprehensive plan for each county, and in-service
17 training programs for teachers and administrative support staff
including nurses, guidance counselors, child study team
19 members, and librarians. All moneys dedicated in section 2 of
this act for education shall be allocated through the designated
21 county alcoholism and drug abuse agency and all programs shall
be consistent with the annual comprehensive county plan
23 submitted to the [Director of] Deputy Commissioner for the
Division of Alcoholism and Drug Abuse and the Governor's
25 Council on Alcoholism and Drug Abuse pursuant to this section.
Moneys dedicated to education from the fund shall be first
27 allocated in an amount not to exceed 20% of the annual
education allotment for the in-service training programs, which
29 shall be conducted in each county through the office of the
county alcoholism and drug abuse coordinator in consultation
31 with the county superintendent of schools, local boards of
education, local councils on alcoholism and drug abuse and
33 institutions of higher learning, including the Rutgers University
Center of Alcohol Studies. The remaining money in the
35 education allotment shall be assigned to offset the costs of
programs such as those which assist employees, provide
37 intervention for staff members, assist and provide intervention
for students and focus on research and educate about youth and
39 drinking and using drugs. These funds shall not replace any

1 funds being currently spent on education and training by the
2 county.

3 d. The governing body of each county, in conjunction with the
4 county agency, or individual, designated by the county with
5 responsibility for services and programs for the care or
6 rehabilitation of [intoxicated persons and] alcoholics and drug
7 abusers, shall establish a [citizens' advisory committee] Local
8 Advisory Committee on Alcoholism and Drug Abuse to assist the
9 governing body in development of the annual comprehensive
10 plan. The advisory committee shall consist of no less than 10
11 nor more than 16 members and shall be appointed by the
12 governing body. At least two of the members shall be
13 recovering alcoholics and at least two of the members shall be
14 recovering drug abusers. The committee shall include
15 [representatives from among the judges assigned to the county,]
16 the county prosecutor or his designee, a wide range of public and
17 private organizations involved in the treatment of alcohol and
18 drug-related problems and other individuals with interest or
19 experience in issues concerning alcohol and drug abuse. Each
20 committee shall, to the maximum extent feasible, represent the
21 various socioeconomic, racial and ethnic groups of the county in
22 which it serves.

23 Within 60 days after the effective date of P.L....., c....
24 (C.....) (now pending before the Legislature as this bill), the
25 Local Advisory Committee on Alcoholism and Drug Abuse shall
26 organize and elect a chairman from among its members.

27 e. The [Director of] Deputy Commissioner for the Division of
28 Alcoholism and Drug Abuse shall review [a] the county plan
29 pursuant to a procedure developed by the [director] deputy
30 commissioner [in conjunction with the Advisory Council on
31 Alcoholism established pursuant to section 4 of P.L.1975, c.305
32 (C.26:2B-10)]. In determining whether to approve [a] an annual
33 comprehensive plan under this act, the [director] deputy
34 commissioner shall consider whether the plan is designed to
35 meet the goals and objectives of the "Alcoholism Treatment and
36 Rehabilitation Act," P.L.1975, c.305 (C.26:2B-7 et seq.) and the
37 "Narcotic and Drug Abuse Control Act of 1969," P.L.1969, c.152
38 (C.26:2G-1 et seq.) and whether implementation of the plan is
39 feasible. Each county plan submitted to the [director] deputy

1 commissioner shall be presumed valid; provided it is in
 2 substantial compliance with the provisions of this act. Where
 3 the department fails to approve a county plan, the county may
 request a court hearing on the determination.

5 (cf: P.L.1983, c.531, s.4)

15. Section 5 of P.L.1983, c.531 (C.26:2B-34) is amended to
 7 read as follows:

5. a. Allotments to each county whose annual comprehensive
 9 plan is approved pursuant to the provisions of section 4 of this
 act shall be made on the basis of the following formula:

$$\begin{aligned}
 & \text{County Allotment} = \text{Population of County} \times \frac{\text{Total Funds Appropriated}}{\text{Population of State}} \\
 & \quad \times .5 \times \frac{\text{Per Capita Income of State (3 yr. average)}}{\text{Per Capita Income of County (3 yr. average)}} \\
 & \quad + .5 \times \frac{\text{Need in County}}{\text{Need in State}}
 \end{aligned}$$

21 in which Need in County and Need in State are estimates of the
 prevalence of alcoholism according to the current New Jersey
 23 Behavioral Health Services Plan. The funds dedicated for the
 provision of educational programs pursuant to section 2 of this
 25 act shall be allocated to the counties on the basis of this
 formula.

27 b. As a condition for receiving the allotment calculated in
 subsection a. of this section, a county shall contribute a sum not
 29 less than 25% of that county's allotment to fund community
 services for [intoxicated persons and] alcoholics pursuant to the
 31 county's annual comprehensive plan. Those alcoholism
 education, prevention and treatment programs already existing
 33 in a county may be combined under the county plan which
 establishes the annual comprehensive plan to be approved by the
 35 [Director of] Deputy Commissioner for the Division of
 Alcoholism and Drug Abuse in the Department of Health. In
 37 determining the sum of money to be contributed by each county,
 the required 25% minimum county contribution may include any
 39 moneys currently appropriated by the county to meet the needs

1 of the alcoholism programs.

(cf: P.L.1983, c.531, s.5)

3 16. N.J.S.2C:35-15 is amended to read as follows:

2C:35-15. Mandatory Drug Enforcement and Demand
5 Reduction Penalties; Collection; Disposition; Suspension.

a. In addition to any disposition authorized by this title, the
7 provisions of section 24 of P.L.1982, c.77 (C.2A:4A-43), or any
other statute indicating the dispositions that can be ordered for
9 an adjudication of delinquency, every person convicted of or
adjudicated delinquent for a violation of any offense defined in
11 this chapter or chapter 36 of this title shall be assessed for each
such offense a penalty fixed at:

- 13 (1) \$3,000.00 in the case of a crime of the first degree;
(2) \$2,000.00 in the case of a crime of the second degree;
15 (3) \$1,000.00 in the case of a crime of the third degree;
(4) \$750.00 in the case of a crime of the fourth degree;
17 (5) \$500.00 in the case of a disorderly persons or petty
disorderly persons offense.

19 Every person placed in supervisory treatment pursuant to the
provisions of N.J.S.2C:36A-1 or N.J.S.2C:43-12 for a violation
21 of any offense defined in this chapter or chapter 36 of this title
shall be assessed the penalty prescribed herein and applicable to
23 the degree of the offense charged, except that the court shall
not impose more than one such penalty regardless of the number
25 of offenses charged. If the person is charged with more than one
offense, the court shall impose as a condition of supervisory
27 treatment the penalty applicable to the highest degree offense
for which the person is charged.

29 All penalties provided for in this section shall be in addition to
and not in lieu of any fine authorized by law or required to be
31 imposed pursuant to the provisions of N.J.S.2C:35-12.

b. All penalties provided for in this section shall be collected
33 as provided for collection of fines and restitutions in section 3
of 1979, c.396 (C.2C:46-4), and shall be forwarded to the
35 Department of [Law and Public Safety] the Treasury as provided
in subsection c. of this section.

37 c. All moneys collected pursuant to this section shall be
forwarded to the Department of [Law and Public Safety] the
39 Treasury to be deposited in a nonlapsing revolving fund to be

1 known as the "Drug Enforcement and Demand Reduction Fund."
2 Monies in the fund shall be appropriated by the Legislature on an
3 annual basis for the purposes of funding the Alliance to Prevent
4 Alcoholism and Drug Abuse and other alcohol and drug abuse
5 programs and shall not be used to fund administrative costs.

6 d. All moneys, including fines and restitution, collected from
7 a person convicted of or adjudicated delinquent for an offense or
8 placed in supervisory treatment pursuant to N.J.S.2C:43-12 shall
9 be applied first to any Violent Crimes Compensation Board
10 penalty imposed pursuant to section 2 of P.L.1979, c.396
11 (C.2C:43-3.1), and shall next be applied to any forensic
12 laboratory fee assessed pursuant to N.J.S.2C:35-20, and shall
13 next be applied to any penalty imposed pursuant to this section.

14 e. The court may suspend the collection of a penalty imposed
15 pursuant to this section; provided the defendant agrees to enter
16 a residential drug rehabilitation program approved by the court;
17 and further provided that the defendant agrees to pay for all or
18 some portion of the costs associated with the rehabilitation
19 program. In this case, the collection of a penalty imposed
20 pursuant to this section shall be suspended during the
21 defendant's participation in the approved rehabilitation
22 program. Upon successful completion of the program, the
23 defendant may apply to the court to reduce the penalty imposed
24 pursuant to this section by any amount actually paid by the
25 defendant for his participation in the program. The court shall
26 not reduce the penalty pursuant to this subsection unless the
27 defendant establishes to the satisfaction of the court that he has
28 successfully completed the rehabilitation program. If the
29 defendant's participation is for any reason terminated before
30 his successful completion of the rehabilitation program,
31 collection of the entire penalty imposed pursuant to this section
32 shall be enforced. Nothing in this section shall be deemed to
33 affect or suspend any other criminal sanctions imposed pursuant
34 to this chapter or chapter 36 of this title.
35 (cf: P.L.1988, c.44, s.6)

36 17. (New section) Two years after the date of enactment of
37 this amendatory and supplementary act, the Governor shall
38 contract with an independent evaluator who shall review and
39 evaluate the effectiveness of the Governor's Council on

1 Alcoholism and Drug Abuse in, but not of, the Department of
 2 the Treasury and the Division on Alcoholism and Drug Abuse in
 3 the Department of Health. Within one year after being
 4 appointed, the evaluator shall make recommendations to the
 5 Governor and the Legislature regarding the continuation of the
 6 council and the organization of the division as they are
 7 structured pursuant to P.L....., c.... (C.....) (now pending
 8 before the Legislature as this bill).

9 18. (New section) The funding mechanisms, including the
 10 awarding of grants for drug abuse services by the Department of
 11 Health, that are in effect on the date of enactment of P.L.....,
 12 c.... (C.....) (now pending before the Legislature as this bill) for
 13 alcoholism services and drug abuse services, exclusively, shall
 14 continue ²[for two years after the effective date of this act
 15 or]² until such time as recommendations of the Governor's
 16 Council on Alcoholism and Drug Abuse pursuant to P.L.....,
 17 c.... (C.....) (now pending before the Legislature as this bill) are
 18 ²[adopted] approved² by the Commissioner of Health²[,
 19 whichever date is later] and enacted into law².

20 ¹[19. There is appropriated to the Alliance to Prevent
 21 Alcoholism and Drug Abuse in the Governor's Council on
 22 Alcoholism and Drug Abuse \$2,000,000 from the "Drug
 23 Enforcement and Demand Reduction Fund" established pursuant
 24 to N.J.S.2C:35-15, for grants to municipalities and counties.]¹

25 ¹[20.] 19.¹ There is appropriated to the Governor's Council
 26 on Alcoholism and Drug Abuse ¹[\$500,000] \$300,000¹ from the
 27 General Fund for administrative costs.

28 ¹[21.] 20.¹ There is appropriated to the ¹[Division of
 29 Alcoholism and Drug Abuse in the]¹ Department of Health
 30 \$2,000,000 from the General Fund for State licensed or approved
 31 drug abuse prevention and treatment programs. ¹The
 32 department shall distribute the moneys appropriated herein
 33 within 90 days of the effective date of this section.¹

34 ¹[22.] 21.¹ Section 4 of P.L.1975, c.305 (C.26:2B-10) and
 35 P.L.1983, c.304 (C.26:2G-4.1 et seq.) are repealed.

36 ¹[23.] 22.¹ This act shall take effect on the 120th day after
 37 enactment ¹, except that sections 20 and 22 shall take effect
immediately¹.

1

HEALTH

Alcohol and Drug Abuse

3

5

Establishes a Governor's Council on Alcoholism and Drug Abuse,
a Division of Alcoholism and Drug Abuse, and an Alliance to
Prevent Alcoholism and Drug Abuse and appropriates \$2,300,000.

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SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR

SENATE, Nos. 2921 and 1891

with Senate committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 21, 1988

The Senate Revenue, Finance and Appropriations Committee reported Senate Bill Nos. 2921 and 1891 SCS, favorably, with committee amendments.

Senate Bill Nos. 2921 and 1891 SCS, as amended, creates a 24-member Governor's Council on Alcoholism and Drug Abuse in, but not of, the Department of the Treasury, and merges the existing Division of Alcoholism and the Division of Narcotic and Drug Abuse Control into a new Division of Alcoholism and Drug Abuse in the Department of Health. The council and the new division are established to enhance the coordination and integration of the State's planning and provision of prevention, treatment, research, evaluation and education services for, and public awareness of, alcoholism and drug abuse. In addition, the bill appropriates \$2,300,000, from the General Fund, of which \$300,000 is for the council and \$2,000,000 is for drug abuse treatment programs.

The council's powers include:

1. Reviewing and coordinating all State departments' efforts in regard to the planning and provision of treatment, prevention, research, evaluation and education services for, and public awareness of, alcohol and drug abuse;
2. Preparing and implementing the Comprehensive Statewide Alcoholism and Drug Abuse Master Plan for the treatment, prevention, research, evaluation, education and public awareness of alcohol and drug abuse for the State;
3. Reviewing the County Annual Alliance Plan for each county and the division's recommendations for awarding Alliance grants and returning the plan to the Local Advisory Committee on Alcoholism and Drug Abuse with the council's recommendations for awarding the grants;
4. Submitting to the Governor and the Legislature the Comprehensive Statewide plan which includes recommendations for appropriate allocations of all State and federal funds for the treatment, prevention and research of alcoholism and drug abuse, in accordance with the regular budget cycle; and

5. Distributing Alliance grants to local governments.

The new Division of Alcoholism and Drug Abuse shall be administered by a Deputy Commissioner of Health. The bill transfers all the functions, powers and duties of the current Director of the Division of Alcoholism and the Director of the Division of Narcotic and Drug Abuse Control and vests them in the Deputy Commissioner of Health for the Division of Alcoholism and Drug Abuse.

The bill also establishes an Alliance to Prevent Alcoholism and Drug Abuse within the Governor's council to create a network comprised of all the communities in the State which is dedicated to a comprehensive and coordinated effort against alcoholism and drug abuse. The Alliance will be a mechanism both for implementing policies to reduce alcoholism and drug abuse at the municipal level and for providing funds, including moneys from mandatory penalties on drug offenders, to member communities to support appropriate county and municipal-based alcohol and drug abuse education and public awareness activities.

The bill provides for an independent evaluation of the effectiveness of the Governor's Council on Alcoholism and Drug Abuse and the Division on Alcoholism and Drug Abuse, to be conducted two years after the date of enactment of this bill by an evaluator selected by the Governor.

The bill also amends N.J.S. 2C:35-15, which establishes the "Drug Enforcement and Demand Reduction Fund," so that funds which would have been forwarded to the Department of Law and Public Safety would be forwarded, instead, to the Department of the Treasury and would be used to fund the Alliance to Prevent Alcoholism and Drug Abuse and other alcohol and drug abuse programs. The money shall not be used to fund administrative costs.

The bill repeals the "New Jersey Drug Abuse Advisory Council Act of 1982," P.L.1983, c.304 (C.26:2G-4.1 et seq.) and section 4 of P.L.1975, c.305 (C.26:2B-10), which established an advisory council on alcoholism in the Division of Alcoholism.

This bill, as amended, is identical to Assembly Bill No. 1774 (2R) SCA, as amended.

COMMITTEE AMENDMENTS

The committee amendments delete the \$2,000,000 appropriation from the "Drug Enforcement and Demand Reduction Fund" to the

Alliance to Prevent Alcoholism and Drug Abuse. Based on the provisions of the bill, the money would not be distributed until August 1990, and so, the appropriation may be included in the State FY 1991 appropriations bill. The amendments also reduce the appropriation to the Governor's Council on Alcoholism and Drug Abuse from \$500,000 to \$300,000 and provide that the \$2,000,000 appropriated from the General Fund to the Department of Health shall be distributed within 90 days of enactment. In addition, the amendments delete the local cap exception as State aid moneys are already cap exempt and provide that a representative of the local bargaining unit for teachers may be included on a Municipal Alliance Committee.

FISCAL IMPACT

This bill, as amended, appropriates \$2,300,000 from the General Fund, of which \$300,000 is to the Governor's Council on Alcoholism and Drug Abuse for administrative costs and \$2,000,000 is to the Department of Health for drug abuse prevention and treatment programs. The department is required to distribute the money within 90 days of enactment.

The bill provides that moneys in the Drug Enforcement and Demand Reduction Fund shall be appropriated by the Legislature annually for the purposes of funding the Alliance and alcohol and drug abuse programs. These moneys shall not be used for administrative costs.

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 29, 1988

By Senators RAND and WEISS

1 A **SUPPLEMENT** to "An Act making appropriations for the support of the State
Government and the several public purposes for the fiscal year ending June
3 30, 1989 and regulating the disbursement thereof," approved June 30, 1988
(P.L.1988, c.47).

5
BE IT ENACTED *by the Senate and General Assembly of the State of New*
7 *Jersey:*

1. In addition to the amounts appropriated under P.L.1988, c.47, there is
9 appropriated out of the General Fund the following sum for the purpose
specified:

11 DIRECT STATE SERVICES
13 46 DEPARTMENT OF HEALTH
25 Health Administration
15 99-4210 Management and Administrative Services..... \$3,000,000
17 Grants:
Commission on Cancer Research.....(\$3,000,000)
19 2. This act shall take effect immediately.

21
23 STATEMENT

25 This bill appropriates \$3,000,000 to the Department of Health for a grant to
the New Jersey State Commission on Cancer Research for implementation of
27 the commission's proposed five year plan. The funds will be used as start up
funds for projects which will become self supporting and which will attract
federal and private research funds to the State.

31 HEALTH
Health Planning and Costs

33 Supplemental appropriation for \$3,000,000 to DOH for a grant to implement
35 the five year plan of the New Jersey Commission on Cancer Research.

SENATE INSTITUTIONS, HEALTH AND WELFARE COMMITTEE

STATEMENT TO

SENATE, No. 2956

STATE OF NEW JERSEY

DATED: NOVEMBER 10, 1988

The Senate Institutions, Health and Welfare Committee favorably reports Senate Bill No 2956.

This bill appropriates \$3,000,000 to the Department of Health for a grant to the New Jersey State Commission on Cancer Research for implementation of the commission's proposed five-year plan. The funds will be used as start up funds for projects which will become self supporting and which will attract federal and private research funds to the State.

The New Jersey State Commission on Cancer Research was established in 1983, pursuant to P.L.1983, c.6 (C.52:9U-1 et seq.), and is in, but not of, the Department of Health. The commission has 11 members, including the Commissioners of Health and Environmental Protection and nine public members appointed by the Governor. The commission is directed to review and authorize approved research projects; apportion available funds to qualifying research institutions to finance approved research projects; and encourage the development in the State of research projects on the causes of cancer. The commission received a State appropriation of \$2,100,000 for Fiscal Year 1989.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2956

STATE OF NEW JERSEY

DATED: NOVEMBER 21, 1988

The Senate Revenue, Finance and Appropriations Committee reported Senate Bill No. 2956 favorably.

Senate Bill No. 2956 appropriates \$3,000,000 to the Department of Health for a grant to the New Jersey State Commission on Cancer Research for implementation of the commission's proposed five year plan. The funds will be for the start-up costs of research projects which are intended to become self-supporting and attract federal and private research funds to the State.

The New Jersey State Commission on Cancer Research was established by P.L.1983, c.6 (C.52:9U-1 et seq.) to review and authorize approved research projects, apportion available funds to qualifying research institutions to finance approved research projects, and encourage the development in the State of research projects on the causes of cancer.

FISCAL IMPACT

This bill appropriates \$3,000,000 from the General Fund to the Department of Health for a grant to the New Jersey State Commission on Cancer Research. The commission received a State appropriation of \$2,100,000 in the Fiscal Year 1989 appropriations act.

The commission has developed a five year research plan and estimates that the plan will cost \$5,000,000 a year. This appropriation, together with the \$2,100,000 already received, would permit the commission to implement the first year of the plan.

P.L. 1989, CHAPTER 45, *approved March 14, 1989*

1988 Senate No. 2966

1 A SUPPLEMENT to "An Act making appropriations for the support of the State
Government and the several public purposes for the fiscal year ending June
3 30, 1989 and regulating the disbursement thereof," approved June 30, 1988
(P.L.1988, c.47).

5

BE IT ENACTED *by the Senate and General Assembly of the State of New*
7 *Jersey:*

1. Upon certification by the Director of the Division of Budget and
9 Accounting in the Department of the Treasury that federal funds to support the
expenditures listed below are available, the following sum is appropriated:

11

FEDERAL FUNDS

13

66 Department of Law and Public Safety

10 Public Safety and Criminal Justice

15

12 Law Enforcement

17

06-1200 Patrol Activities and Crime Control \$2,500,000

Special Purpose:

19

Middle Atlantic Great Lakes Organized

Crime Law Enforcement Network (\$2,500,000)

21

2. There is created in the Department of Law and Public Safety a special
account for the receipt of annual dues from law enforcement agencies which
23 are members of the Middle Atlantic Great Lakes Organized Crime Law
Enforcement Network. Moneys deposited in this account are to be expended
25 solely to defray the operating costs of the network.

27

3. This act shall take effect immediately.

29

STATEMENT

31

This bill appropriates \$2,500,000 in federal funds to the Department of Law
and Public Safety for the Middle Atlantic Great Lakes Organized Crime Law
33 Enforcement Network. The bill also establishes a special account in the
department for the deposit of dues paid by other network member states.

PUBLIC SAFETY

Criminal Justice

Appropriates \$2,500,000 in federal funds to Dept. of Law and Public Safety for organized crime law enforcement.

§§1-13, 15-21
C. 26:2H-18.4 to
26:2H-18.23
§14 - C. 18A:62-14
§22 - Approp.
§23 - Note to all
sections

P.L. 1989, CHAPTER 1, *as amended January 11, 1989*

1988 Senate No. 2981 (Third Re print)

AN ACT concerning uncompensated care in hospitals ³[and] ³
supplementing Title 26 of the Revised Statutes and Title 18A
of the New Jersey Statutes ³, and making an appropriation
therefor³.

BE IT ENACTED *by the Senate and General Assembly of the*
State of New Jersey:

1. The Legislature finds and declares that:

a. Access to quality health care shall not be denied to
residents of the State because of their inability to pay for the
care; there are many residents of the State ³, particularly those
with incomes below the federal poverty level,³ who cannot pay
for needed hospital care and in order to ensure that these persons
have equal access to hospital care it is necessary to maintain a
mechanism which will ensure payment of uncompensated hospital
care; and to protect the fiscal solvency of the State's general
hospitals, as provided for in P.L.1971, c.136 (C.26:2H-1 et al.), it
is necessary that all payers of health care services share ³[in]
equally in the³ payment of uncompensated care on a Statewide
basis.

b. The "New Jersey Uncompensated Care Trust Fund," created
pursuant to P.L.1986, c.204, by which hospitals may collect their
reasonable cost of ³approved³ uncompensated care, has resulted
in ³[a high degree of] unobstructed³ access to health care for
residents without insurance who otherwise are unable to afford
care. ³[The fund has increased the stability and equity of the
payment system without increasing the cost, by instituting a
Statewide collection mechanism in place of the previous
hospital-specific price add-ons;] It must be noted, however, that
many hospitals in the State are not consistently collecting
information about patients, resulting in a serious lack of
demographic data on the profile of persons whose hospital care
has led to spiraling uncompensated care costs, and seriously

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SIH committee amendments adopted December 8, 1988.

² Senate SRF committee amendments adopted December 8, 1988.

³ Assembly floor amendments adopted January 10, 1989.

hampering hospital financial collection efforts. Bad debt collection should be one of the highest priorities of each hospital and the Department of Health.³

c. The "Uncompensated Care Trust Fund Advisory Committee," also created pursuant to P.L.1986, c.204, has ³[conducted a thorough study of all] examined at length³ alternative means of financing ³[health care for the uninsured] hospital care for those who cannot pay³, the reasons for ³[uninsurance and] a lack of insurance coverage and some³ alternative means of providing ³[coverage] health care³. The Commissioner of Health has submitted a ³[comprehensive]³ report to the Governor and the Legislature which ³[analyzes the demographics] addresses the concept³ of uncompensated care, ³[the economics of uncompensated care and alternative] its economic implications and many of the³ means by which to finance uncompensated care.

³d.³ Although New Jersey has ³[consistently]³ expanded Medicaid entitlement for ³[the lowest income New Jerseyans] certain residents of low income, to provide them with better quality health care and³ to optimize federal contributions, ³[the Department of Health found that there are still over 840,000 New Jerseyans lacking health insurance. Over 40% of these uninsured are employed, many of them by small employers who need encouragement to offer health benefits] it is clear that further State action is required. The Medicaid and medically needy programs in New Jersey should be expanded to provide the maximum coverage permitted under federal law, particularly for pregnant women and young children, in order to ensure greater access to primary, preventive health care in an appropriate setting such as a physician's office, rather than the more costly and inappropriate setting of a hospital emergency room. For every New Jersey hospital patient whose hospital care costs are charged to uncompensated care and who is eligible for Medicaid or medically needy coverage, this State loses federal dollars in an amount equal to one half of that patient's hospital bill³.

³[d.] e.³ Having received and ³thoroughly³ reviewed the report ³by the Commissioner of Health³, it is evident that ³the continuation of³ the fund is ³[still]³ necessary ³, with modifications,³ to ensure ³[the appropriate and equitable

financing of services to the uninsured. However, recognizing the burden that financing the fund places on the payers of health care.] access to hospital care for those who cannot afford to pay and the fiscal solvency of hospitals. At the same time, the State should take further actions to: provide more comprehensive Medicaid coverage for the medically indigent, ensure appropriate reimbursement for hospital emergency room services according to the level of care required by the patient, reduce the rate of increase in health insurance premiums and explore and implement various³ initiatives ³[will be explored and implemented]³ to reduce the amount of uncompensated care in this State without impairing access to care.

2. As used in this act:

"Commission" means the Hospital Rate Setting Commission established pursuant to section 5 of P.L.1978, c.83 (C.26:2H-4.1).

"Commissioner" means the Commissioner of Health.

"Department" means the Department of Health.

"Fund" means the "New Jersey Uncompensated Care Trust Fund" established pursuant to this act.

"Hospital" means a general acute care hospital whose schedule of rates is approved by the commission pursuant to section 11 of P.L.1978, c.83 (C.26:2H-18.1).

"Payer" means a governmental or nongovernmental third party payer or any purchaser of hospital services whose hospital reimbursement rates are established by the commission pursuant to P.L.1971, c.136 (C.26:2H-1 et al.).

"Uncompensated care" means inpatient and outpatient care provided to medically indigent persons and bad debts as defined by regulation of the department pursuant to P.L.1971, c.136 (C.26:2H-1 et al.).

3. The commission is authorized to approve a hospital's rates to achieve an equitable collection and distribution mechanism among hospitals in the State for payment of uncompensated care pursuant to the provisions of this act.

4. There is established the "New Jersey Uncompensated Care Trust Fund" in the Department of Health.

a. The fund shall be comprised of monies collected from hospitals pursuant to this act and ²any other² monies appropriated ²[from the General Fund] thereto² to carry out the

purposes of this act.

The fund shall be a nonlapsing fund dedicated for use by the department: (1) to distribute payments for the cost of uncompensated care in the State. (2) to subsidize¹, pursuant to the provisions of section ³[16] 15³ of this act, a¹ pilot health insurance ¹[programs that are created] program¹ for small businesses, ³[and]³ (3) to fund the reasonable cost of administering the fund ³, and (4) to fund the reasonable cost of preparing and disseminating health insurance information to employers pursuant to section 13 of this act³; except that, monies collected from hospitals pursuant to this act shall not be used for the purpose of subsidizing pilot health insurance programs for small businesses. Interest earned on monies deposited in the fund shall be credited to the fund.

b. The fund shall be administered by a person appointed by the commissioner in consultation with the Uncompensated Care Trust Fund Advisory Committee established pursuant to section 5 of this act.

The administrator of the fund is responsible for overseeing and coordinating the collection and disbursement of fund monies. The administrator is responsible for promptly informing the commission and the commissioner if monies are not or are not reasonably expected to be collected or disbursed or if the fund's reserve as established in subsection c. of this section falls below the required level.

c. The fund shall maintain a reserve equal to 1/12 of the fund's total estimated annual payment for uncompensated care costs for the prior calendar year.

5. a. ²(1)² There is created in the department a ¹[19-member] ³[22-member¹] 23-member³ Uncompensated Care Trust Fund Advisory Committee which shall be comprised of the ²19 members of the Uncompensated Care Trust Fund Advisory Committee created pursuant to P.L.1986, c.204 which 19 members shall continue to serve the terms to which they were appointed pursuant to P.L.1986, c.204. Upon enactment of this act, the representation and manner of appointment that applied to those members shall continue to apply to reappointments to the committee as follows: the² Commissioners of Health, Human Services and Insurance and the Public Advocate, or their

designees who shall serve ex officio; two members of the Senate to be appointed by the President thereof, no more than one of whom shall be of the same political party, and two members of the General Assembly to be appointed by the Speaker thereof, no more than one of whom shall be of the same political party; 2[1two public members who have professional expertise in the area of health care financing, one each to be appointed by the President of the Senate and the Speaker of the General Assembly;]¹² and ¹[11] ²[12¹] ¹¹² members appointed by the Governor as follows: one person who represents the Office of the Governor who shall serve ex officio and ¹[10] ²[11¹] ¹⁰² public members who include ¹[two] ²[three¹] ^{two}² persons who represent payers, one to be appointed upon the recommendation of Blue Cross and Blue Shield of New Jersey, Inc., ¹[and]¹ ²and² one upon the recommendation of the Health Insurance Association of America ²[¹and one upon the recommendation of the New Jersey Health Maintenance Organization¹]²; two persons who represent hospitals in the State to be appointed upon the recommendation of the New Jersey Hospital Association; two persons who represent business and industry in this State, one to be appointed upon the recommendation of the New Jersey Business and Industry Association and one upon the recommendation of the New Jersey State Chamber of Commerce; two persons who represent organized labor in this State, to be appointed upon the recommendation of the New Jersey State AFL-CIO; and two persons who are consumers of health care.

²(2) In addition to the 19 members appointed in the manner hereinabove, there shall be appointed ³[three] ^{four}³ members as follows: two public members who have professional expertise in the area of health care financing, one each to be appointed by the President of the Senate and the Speaker of the General Assembly, and one public member who represents payers to be appointed by the Governor upon the recommendation of the New Jersey Health Maintenance Association ³and one public member who represents business and industry to be appointed by the Governor upon the recommendation of the New Jersey chapter of the National Federation of Independent Business³.²

²[The] Except for the public members continuing their term as provided hereinabove, the² public members shall serve

for a term of ²[three] ^{two} years ²[and] . Those public members continuing their term² are eligible for reappointment ²by their appointing authority for a term to expire on December 31, 1990². Vacancies in the advisory committee shall be filled in the same manner as the original appointments were made ²for the unexpired term².

The advisory committee shall organize as soon as practicable after the appointment of its members and shall select a chairperson from among its ¹public¹ members. Members of the advisory committee shall serve without compensation but shall be reimbursed for the necessary expenses incurred in the performance of their duties as members of the advisory committee.

b. The advisory committee shall:

(1) Review the methodology and assumptions used by the department to establish the Statewide uncompensated care add-on pursuant to section 6 of this act, and advise the commissioner on its conclusions about the accuracy of the calculations;

(2) Make recommendations to the commissioner on the procedures that shall be used to audit uncompensated care at the hospitals, including methods of indigent care cost recovery and bad debt collection by the hospitals;

(3) Make recommendations to the commissioner on additional methods of funding uncompensated care that may be used to supplement funding methods already implemented;

(4) Make recommendations to the commissioner on initiatives designed to reduce uncompensated care in the State;

(5) Make recommendations to the commissioner on methods to ensure appropriate reimbursement for primary care in hospital emergency rooms;

(6) Make recommendations on initiatives to expand health insurance coverage in the State;

(7) Make recommendations to the commissioner to maximize federal, State and local participation in public assistance programs; ³[and]

(8) Analyze the possible impact of an increase in the rate of unemployment in the State on the amount of uncompensated care provided by hospitals and advise the commissioner on its

conclusions about the projected impact of the limit on the uniform Statewide uncompensated care add-on, established pursuant to subsection b. of section 6 of this act, on hospitals under those economic conditions; and³

³[(8)] (9)³ Make recommendations to the commissioner concerning any aspect of the fund.

c. There is created within the advisory committee a ¹[nine-member] ³[12-member¹] 13-member³ subcommittee on hospital audit and collection practices.

The subcommittee shall be comprised of the Commissioners of Health and Human Services, ¹the State Treasurer¹ and the Public Advocate, or their designees, who shall serve ex officio and ¹[six] ³[eight¹] nine³ public members. The public members shall be appointed by the commissioner and shall include: two persons who represent payers, one to be appointed upon the recommendation of the Health Insurance Association of America and one to be appointed upon the recommendation of Blue Cross and Blue Shield of New Jersey, Inc.; two persons who represent hospitals in the State to be appointed upon the recommendation of the New Jersey Hospital Association; ¹two certified public accountants who are knowledgeable about hospital audit and collection procedures, to be appointed upon the recommendation of the New Jersey chapter of the American Institute of Certified Public Accountants;¹ and ³[two] three³ persons who represent business and industry in this State, one to be appointed upon the recommendation of the New Jersey Business and Industry Association ³[and] ³one to be appointed upon the recommendation of the New Jersey State Chamber of Commerce ³and one to be appointed upon the recommendation of the New Jersey chapter of the National Federation of Independent Business³.

The members of the subcommittee may be members of the advisory committee. The public members of the subcommittee shall serve for a term of ²[three] two² years ²[and are eligible for reappointment, but of the members first appointed, ¹[two] three¹ shall serve for a term of one year, ¹[two] three¹ for a term of two years and two for a term of three years]². Vacancies in the subcommittee shall be filled in the same manner as the original appointments are made ²for the unexpired term².

The subcommittee shall organize as soon as practicable after the appointment of its members and shall select a chairperson from among its members. Members of the subcommittee shall serve without compensation but shall be reimbursed for necessary expenses incurred in the performance of their duties as members of the subcommittee.

The purpose of the subcommittee is to make recommendations to the advisory committee on the procedures that are used to audit uncompensated care at the hospitals and on the procedures that are used to collect delinquent hospital bills.

6. a. For the periods beginning January or July of the hospitals' rate year, the department shall determine a uniform Statewide uncompensated care add-on. The commission shall approve the add-on before it is included in hospital rates.

The add-on shall be determined by dividing the Statewide amount of approved uncompensated care plus an amount adequate to fund the reasonable cost of administering the fund pursuant to subsection a. of section 4 of this act and to maintain the reserve pursuant to subsection c. of section 4 of this act, by the Statewide amount of approved revenue for all payers and approved revenue for medically indigent persons less the Statewide amount of approved uncompensated care.

The add-on and any increases made to the add-on are an allowable cost and shall be included as part of the hospital's rates as established by the commission.

b. The amount of money raised by the uniform Statewide uncompensated care add-on, as a percentage of all governmental and nongovernmental approved revenue, shall not exceed ³[by one percentage point the percentage which is in effect on January 1, 1989] 13%³.

³c. The uniform Statewide uncompensated care add-on for patients whose hospital bills are paid by a health maintenance organization or other payer which has negotiated a discounted rate of payment with the hospital shall be based on the full rate of reimbursement for the services provided by the hospital to the patient under the hospital reimbursement system established pursuant to P.L.1978, c.83, rather than on the discounted rate of payment.³

³[²c.] d.³ No provision of this section shall be construed to

preclude the commission from approving individual hospital rate increases for uncompensated care in addition to the add-on. Such increases, however, shall not be paid from the moneys in the
³[fund] Uncompensated Care Trust Fund^{3, 2}

7. a. The commission shall approve each hospital's reasonable uncompensated care costs and shall ensure that uncompensated care services financed pursuant to this act are provided in the most appropriate and cost-effective manner which the commission determines hospitals can reasonably be required to achieve. The commission shall reduce a hospital's reasonable uncompensated care costs by the amount of overpayment for patient care services, if any, by the Medicare program (Pub.L.89-97, 42 U.S.C. § 1395 et seq.), the Medicaid program (P.L.1968, c.413, C.30:4D-1 et seq.), or any payer or purchaser of hospital services whose hospital reimbursement rates are not established by the commission pursuant to P.L.1971, c.136 (C.26:2H-1 et al.). For the purposes of this section, "overpayment" means ¹[patient service revenue] reimbursement¹ in excess of that allowed by section 5 of P.L.1978, c.83 (C.26:2H-4.1).

The commission shall require a hospital which engages in inefficient or inappropriate provision of uncompensated care services to submit to the commission a cost reduction plan. The commission may prospectively reduce the hospital's uncompensated care payments for failure to submit or implement a cost reduction plan that has been approved by the commission.

b. The commission shall semiannually determine the amount a hospital shall pay to the fund or the fund shall pay to the hospital, as appropriate.

The hospital payment to the fund shall be funded by the uniform Statewide uncompensated care add-on determined pursuant to section 6 of this act, which is charged by the hospital to all payers.

The commission shall require a hospital whose uncompensated care costs are lower than the amount the hospital will receive from the uniform Statewide uncompensated care add-on to remit the net difference to the fund. The commission shall authorize a hospital whose uncompensated care costs are higher than the amount the hospital will receive from the uniform Statewide uncompensated care add-on to receive the net difference from

the fund.

8. a. Hospitals required to remit the net difference of funds received from payers pursuant to subsection b. of section 7 of this act shall remit the funds in equal installments at the end of every month.

b. If a hospital is delinquent in its required payment to the fund, the commission may, pursuant to rules and regulations adopted by the commissioner, remove from that hospital's schedule of rates the uniform Statewide uncompensated care add-on or levy a reasonable penalty on the hospital. The penalty shall be recovered in a summary civil proceeding brought in the name of the State in the Superior Court pursuant to "the penalty enforcement law," (N.J.S.2A:58-1 et seq.). Penalties collected pursuant to this section shall be deposited in the fund established pursuant to this act.

c. Hospitals authorized to receive payments from the fund pursuant to subsection b. of section 7 of this act shall receive the payments on a monthly basis.

9. a. A hospital shall not be reimbursed for the cost of uncompensated care unless the commissioner certifies to the commission that the hospital has followed the procedures pursuant to this section and section 10 of this act. For the purposes of this section and section 10 of this act, ¹"designated hospital employee" means an employee of the hospital who has received training in the collection of patient financial data and identification of third party coverage and in assessing a patient's eligibility for public assistance; and ¹"responsible party" means any person who is responsible for paying a patient's hospital bill.

b. A ¹[hospital admissions officer or appropriate] designated hospital¹ employee shall interview a patient upon the patient's initial request for care. If the emergent nature of the patient's required health care makes the immediate patient interview impractical, the ¹[officer or] designated hospital¹ employee shall interview the patient's family member, responsible party or guardian, as appropriate¹[. In all instances except where it is medically inappropriate to interview the patient and where there], but if there¹ is no family member, responsible party or guardian, ¹the designated hospital employee shall interview¹ the patient¹[, family member, responsible party or guardian shall be

interviewed]¹ within five working days of the patient's admission into the hospital ¹or prior to discharge, whichever date is sooner¹.

c. A patient interview shall, at a minimum, include the following inquiries:

(1) The ¹[hospital admissions officer or]¹ designated hospital employee shall obtain documentation of proper identification of the patient. Documentation of proper identification may include, but shall not be limited to, a driver's license, a voter registration card, an alien registry card, a birth certificate, an employee identification card, a union membership card, an insurance or welfare plan identification card or a Social Security card. Proper identification of the patient may also be provided by personal recognition by a person not associated with the patient. ¹[Non-associated persons may include, but shall not be limited to, police officers, firefighters, members of an ambulance or rescue squad or hospital personnel.]¹ For the purposes of this paragraph, "proper identification" means the patient's name; mailing address; residence telephone number; date of birth; Social Security number; and place ¹and type¹ of employment, employment address and employment telephone number, as applicable.

(2) The ¹[hospital admissions officer or]¹ designated hospital employee shall inquire of the patient, family member, responsible party or guardian, as appropriate, whether the patient is covered by health insurance, and if so, shall request documentation of the evidence of health insurance coverage. Documentation may include, but shall not be limited to, a government sponsored health plan card or number, a group sponsored or direct subscription health plan card or number, a commercial insurance identification card or claim form or a union welfare plan identification card or claim form.

(3) ¹[The hospital admissions officer or] If evidence of health insurance coverage for the patient is not documented or if evidence of health insurance coverage is documented but the patient's health insurance coverage is unlikely to provide payment in full for the patient's account at the hospital, the¹ designated hospital employee shall make an initial determination of whether ¹[a] the¹ patient is eligible for participation in a public assistance program. If the ¹[officer or]¹ employee

concludes that ¹[a] the¹ patient may be eligible for a public assistance program, the ¹[officer or]¹ employee shall so advise the patient, family member, responsible party or guardian, as appropriate. The ¹[officer or]¹ employee, either directly or through the hospital's social services office, shall give the patient, family member, responsible party or guardian, as appropriate, the name, address and phone number of the public assistance office that can assist in enrolling the patient in the program. The ¹[officer or]¹ employee, or the social services office of the hospital, shall also advise the public assistance office of the patient's possible eligibility¹, including possible retroactive or presumptive eligibility,¹ for the program.

(4) ¹[The hospital admissions officer or] If evidence of health insurance coverage for the patient is not documented or if evidence of health insurance coverage is documented but the patient's health insurance coverage is unlikely to provide payment in full for the patient's account at the hospital, and the patient does not appear to be eligible for public assistance, the¹ designated hospital employee shall determine if the patient is eligible for charity care pursuant to regulations adopted by the commissioner. If the patient does not qualify for charity care, the designated hospital employee shall¹ request from the patient, family member, responsible party or guardian, as appropriate, the patient's or responsible party's place of employment, income, real property and durable personal property owned by the patient or responsible party and bank accounts possessed by the patient or responsible party, along with account numbers and the name and location of the bank.

10. a. If, upon the discharge of a patient from the hospital, the patient's account has not been paid in full by the patient or responsible party or by health insurance, or it is unlikely that the patient's account will be paid in full by the patient or responsible party or by health insurance, as identified pursuant to paragraphs (2) and (3) of subsection c. of section 9 of this act, and the patient or responsible party ¹[has assets as] is likely to have assets such as those¹ identified pursuant to paragraph (4) of subsection c. of section 9 of this act, a hospital shall follow the collection procedure pursuant to this section if the patient's

aggregate outstanding balance exceeds the cost of collecting the account. A hospital shall comply with the collection procedure on all outstanding accounts until the point is reached where the cost of collection exceeds the patient's outstanding balance.

b. The hospital shall commence the collection procedure within two weeks after a patient's discharge from the hospital or date of service at the hospital.

The collection procedure shall include:

(1) At least three billing statements, each sent at intervals of no longer than four weeks, shall be sent to the patient's or responsible party's mailing address. ¹[A hospital is not required to comply with this provision if mail sent to the patient's or responsible party's mailing address has twice been returned to the hospital, and hospital personnel, after reasonable effort, are unable to determine a new mailing address for the patient or responsible party;

(2)]¹ At least two collection follow-up letters shall follow the three billing statements. The collection follow-up letters shall be sent to the patient's or responsible party's mailing address at an interval of no longer than three weeks. Each collection follow-up letter shall state the amount due and owing, the collection history on the account and the hospital's intention to proceed with legal action if the outstanding balance is not paid in full or, in the alternative, the patient or responsible party fails to enter into payment arrangements with the hospital. ³Each collection follow-up letter shall request a partial payment of the outstanding balance in the patient's account as the minimum amount due and shall offer to establish a payment schedule for the remainder of the outstanding balance in the patient's account based upon the patient's or responsible party's ability to pay. The letter shall clearly indicate the name of a person for the patient or responsible party to contact, and a telephone number for the patient or responsible party to call, in order to arrange such a payment schedule.³

A hospital is not required to comply with ¹[this provision] the requirements of sending a third billing statement or two collection follow-up letters¹ if mail has twice been returned to the ¹[facility] hospital¹, and hospital personnel, despite reasonable efforts, are unable to determine a new mailing address

for the patient or responsible party;

¹[(3)] (2)¹ At least three attempts to reach the patient or responsible party by telephone shall be made ¹[by hospital personnel.]¹ if hospital personnel have determined a residence or business telephone number for the patient or responsible party. If ¹hospital personnel are not able to make¹ telephone contact with the patient or responsible party ¹[is not made]¹ after three attempts, the hospital shall send a collection telegram; ³[and]³

¹[(4)] (3)¹ Legal action to collect the amount due and owing on the patient's account ¹shall be taken¹ ³[.] ;and

(4) The hospital shall request the department, on behalf of the fund, to request the Department of the Treasury to apply or cause to be applied the income tax refund or homestead rebate due the patient or responsible party, or both the income tax refund and homestead rebate, or so much of either or both as is necessary to recover the amount due and owing on the patient's account, pursuant to section 1 of P.L.1981, c.239 (C.54A:9-8.1 et seq.), for which purpose the patient's outstanding balance shall be considered a debt to the fund and the fund shall be considered an agency of State government.³

c. Unless the cost of completing the procedure, in part or in its entirety, exceeds the outstanding balance on a patient's account, a hospital shall complete the procedures in paragraphs (1)¹[(2) and (3)] and (2)¹ of subsection b. of this section before submitting appropriate documentation and requesting from the commissioner that the hospital be reimbursed on a delinquent account from the fund.

If any payment on a delinquent account is received as a result of compliance with the procedures in subsection b. of this section and the hospital has already received payment from the fund, the amount of money the hospital is entitled to receive from the fund shall be adjusted pursuant to procedures established by the commission.

d. This section shall not apply to a patient who qualifies for charity care pursuant to rules and regulations adopted by the commissioner. This section also shall not apply to a patient who qualifies for care under the federal Hill-Burton program pursuant to 42 U.S.C. §291 et seq.

e. The commissioner, after review by the Uncompensated Care

Trust Fund Advisory Committee, shall adopt rules and regulations to effectuate the purposes of this section and section 9 of this act; except that nothing in this section or section 9 of this act shall be construed to prohibit the commissioner from adopting rules and regulations that are more stringent than the provisions of this section and section 9 of this act.

11. a. The department shall annually provide for an audit of each hospital's uncompensated care within a time frame established by rules and regulations adopted by the commissioner.

b. Prior to the department's final approval of the audit, the results of the audit shall be reviewed with the hospital. If a hospital disputes an audit adjustment, the hospital may appeal the adjustment to the commission. The commission shall resolve the dispute within 90 calendar days of the date on which the hospital appealed the adjustment.

c. Upon receipt and acceptance of the final audit, the commission, within 90 calendar days, shall adjust a hospital's schedule of rates so that the rates reflect the audit adjustment.

12. The commission shall adjust a hospital's schedule of rates to ensure that services which are provided to emergency room patients who do not require those services on an emergency basis are reimbursed at a rate appropriate for primary care, according to regulations adopted by the commissioner. ³Nothing in this section shall be construed to restrict the right of the commission to increase a hospital's schedule of rates for required emergency services, except that the increase shall not be solely to offset a reduction in hospital revenue as a result of reduced rates for primary care provided in the emergency room.³

Nothing in this section shall be construed to permit a hospital to refuse to provide emergency room services to a patient who does not require the services on an emergency basis.

³[13. If the State is not eligible to receive federal matching funds to cover the cost of the uniform Statewide uncompensated care add-on for receipt of medical assistance under the Medicaid program pursuant to P.L.1968, c.413 (C.30:4D-1 et seq.), the State is not liable for the amount of the federal matching funds.

²The amount of the federal matching funds shall be included in the add-on for all payers except Medicaid.²³

³[14.] 13.³ Any employer in this State who does not provide

health insurance coverage to its employees is required to provide employer assistance and to inform all of its current and prospective employees about the importance of having health insurance coverage. The employer shall also make a good faith effort to assist any employee who wishes to purchase health insurance from a health insurance carrier.

For the purposes of this section, "employer assistance" means ¹[obtaining information] the dissemination to all current and prospective employees of information obtained¹ from the department on health insurance products available in the State for employees and their dependents¹[, and disseminating this information to all current and prospective employees]¹.

The department shall prepare and have ready for dissemination to employers information on health insurance products available in the State, within 60 days of the ³[effective date] date of enactment³ of this act.

³[15.] 14.³ a. Every student enrolled as a full-time student at a public or private institution of higher education in this State shall maintain health insurance coverage which provides basic hospital ³[and medical]³ benefits. The coverage shall be maintained throughout the period of the student's enrollment.

b. Every student enrolled as a full-time student shall present evidence of the health insurance coverage required by subsection a. of this section to the institution at least annually, in a manner prescribed by the institution.

c. The State Board of Higher Education shall require all public and private institutions of higher education in this State to offer health insurance coverage on a group or individual basis for purchase by students who are required to maintain the coverage pursuant to this section.

The State Board of Higher Education shall adopt rules and regulations pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.) to carry ²out² the purposes of ³subsections a., b. and c. of³ this section.

³d. The Student Assistance Board in the Department of Higher Education shall adopt rules and regulations to require that a public or private institution of higher education in this State consider the coverage required pursuant to this section as an educational cost for purposes of determining a student's

eligibility for financial aid.³

³[d.] e.³ Nothing in this section shall be construed to permit a hospital in this State to deny access to hospital care to a full-time student whose health insurance coverage required by this section lapses for any reason.

³f. The provisions of this section shall not apply to a person who is a participant in the REACH program established pursuant to P.L.1987, c.282 (C.44:10-9 et seq.).³

³[16.] 15.³ The administrator of the fund is not required to repay to the General Fund any portion of the direct appropriation of State funds made pursuant to P.L.1986, c.204 that is remaining in the fund as of December 31, 1988. ¹[The State funds shall remain in the fund and shall be used for the purpose of subsidizing health insurance programs for small businesses that will be designed to reduce the amount of uncompensated care in this State and for the purpose of carrying out the provisions of section 14 of this act.]

The amounts remaining in the fund shall be credited to a special account to be known as the "Uncompensated Care Reduction- Pilot Program" account and shall be used to subsidize or otherwise provide financial assistance for a health insurance pilot program for small businesses; except that the monies, and any interest earned thereon, shall remain in the account until such time as a law is enacted which establishes the health insurance pilot program for small businesses and which appropriates the monies in the account.¹

³[17.] 16.³ The commissioner shall report ²[annually] on or before December ³[31] ¹3, 1989 and on or before December 31, 1990² to the Governor and the Senate Institutions, Health and Welfare ²[and] Committee, the Senate Revenue, Finance and Appropriations Committee,² the General Assembly Health and Human Resources ²[Committees] Committee and the General Assembly Appropriations Committee², or their successors, on the ²activities and accomplishments of the Uncompensated Care Trust Fund Advisory Committee, the² cost to the State and other payers of uncompensated hospital care in the State and the effectiveness of the New Jersey Uncompensated Care Trust Fund in ensuring access to health care services for all residents of the State, ensuring payment of uncompensated hospital care costs in

the State, and protecting the fiscal solvency of the State's general acute care hospitals. ¹The ²[report] reports² shall also include the names of all hospitals which have been required to submit a cost reduction plan pursuant to section 7 of this act and any actions taken by the commission against a hospital for failure to submit or implement the plan.¹

²In the report issued on or before December ³[31] 1³, 1989, the commissioner shall include a recommendation for an alternative means of funding uncompensated care.² ³The commissioner shall appear before the Senate Institutions, Health and Welfare Committee and the General Assembly Health and Human Resources Committee to discuss that report no later than December 31, 1989.³

The commissioner shall accompany ²[the] each² report with any recommendations for legislative or administrative action that the commissioner deems necessary ³[, including whether an increase in the amount of money raised by the uniform Statewide uncompensated care add-on, beyond the limit established pursuant to subsection b. of section 6 of this act, is necessary]³.

³[118.] 17.³ A hospital shall not advertise by any means³[,]³ the availability of uncompensated care that is provided at the hospital pursuant to this act. Nothing in this section shall be construed to prohibit a hospital from advertising its requirement to provide charity care under the federal Hill-Burton program pursuant to 42 U.S.C. §291 et seq.¹

³[119.] 18.³ A hospital that does not claim any deduction for bad debt for the purpose of the department's determination of that hospital's uncompensated care factor pursuant to N.J.A.C.8:31B-4.39, is eligible for full reimbursement for charity care, as provided pursuant to N.J.A.C.8:31B-4.37, for all eligible patients regardless of a patient's state of residence; except that³[,]³ this section shall not apply in the case of a patient who is not a resident of the United States.¹

³[220.] 19.³ a. The cost of advanced life support services provided pursuant to P.L.1984, c.146 (C.26:2K-7 et seq.) to medically indigent persons incurred through a hospital's provision of advanced life support services shall be compensated pursuant to this act. The ³[commissioner]. commission³ shall, by regulation, establish a schedule of reimbursement rates for

advanced life support services. Reimbursement for mobile intensive care unit uncompensated care shall only include those uninsured patients who are classified as charity care pursuant to regulations promulgated by the commissioner. Reimbursement shall exclude bad debt, the difference in a contractual allowance, or any medical denials for a service.

b. The cost of advanced life support services provided by the University of Medicine and Dentistry of New Jersey University Hospital to uninsured patients who are classified as charity care shall be uncompensated care, except that such uncompensated care shall be exempt from any reimbursement limitations for uncompensated care that apply to University Hospital. Reimbursement for advanced life support services uncompensated care for University Hospital shall not be paid from the fund, but shall be paid through the reimbursement rates of University Hospital as established by the commission.²

¹[18.] ²[20.¹ Pursuant] ³[21.] ^{20.}³ In addition to the provisions of subsection e. of section 10 of this act, the commissioner shall, pursuant² to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), ²[the commissioner shall]² adopt rules and regulations necessary to carry out the ²other² provisions of this act¹; except that all rules and regulations adopted pursuant to P.L.1986, c.204 shall remain in effect until they are amended or repealed pursuant to this act¹.

¹[19.] ²[21.¹] ³[22.²] ^{21.}³ a. The employees, appropriations and other moneys, files, books, papers, records, equipment and other property of the "New Jersey Uncompensated Care Trust Fund" and the "Uncompensated Care Trust Fund Advisory Committee," established pursuant to P.L.1986, c.204, which law ¹[expired] expires¹ on December 31, 1988, are transferred, pursuant to the "State Agency Transfer Act," P.L.1971, c.375 (C.52:14D-1 et seq.) to the "New Jersey Uncompensated Care Trust Fund" and the "Uncompensated Care Trust Fund Advisory Committee," respectively, established pursuant to this act.

b. The membership of the "Uncompensated Care Trust Fund Advisory Committee," created pursuant to P.L.1986, c.204, is continued ²[and the members appointed pursuant to that act shall continue to serve for their term of office] as provided in subsection a. of section 5 of this act².

³22. There is appropriated \$150,000 from the fund to the Department of the Treasury to enable that department to carry out its responsibilities as provided in section 10 of this act.³

¹[20.] ²[22.] ¹ 23.² This act shall take effect ¹[immediately] on December 31, 1988 and if enacted after that date, this act shall be retroactive to December 31, 1988¹, except that sections 9³[.] and³ 10³[.]³ ¹[12.]¹ ³[14 and 15]³ shall take effect on the 90th day following enactment ³[and] ³ section 12 shall take effect one year following enactment ³and section 14 shall take effect on July 1, 1989³. This act shall expire on December 31, ²[1992]¹ 1990².

HEALTH

Health Care Facilities and Providers

Establishes "New Jersey Uncompensated Care Trust Fund" and appropriates \$150,000 from the fund.

P.L. 1989, CHAPTER 75, approved April 17, 1989
1988 Senate No. 3025 (Second Reprint)

1 A SUPPLEMENT to "An Act making appropriations for the support of the State
Government and the several public purposes for the fiscal year ending June
3 30, 1989 and regulating the disbursement thereof," approved June 30, 1988
(P.L.1988, c.47).

5 BE IT ENACTED by the Senate and General Assembly of the State of New
7 Jersey:

1. In addition to the amounts appropriated under P.L.1988, c.47, there is
9 appropriated out of the General Fund the following sums for the purposes
specified:

11 CLAIMS
13 LEGISLATIVE BRANCH
15 01 Legislature

Hellring, Lindeman, Goldstein, Siegal,

17 Stern and Greenberg, Attorneys for
Plaintiffs Edwin B. Forsythe, et al., in
19 Daggett v. Kimmelman, et al., and
Forsythe et al. v. Kean et al., and Florio,
21 et al., Orechio and Karcher,
Defendants-Intervenors, Nos. 82-297,
23 82-388 (U. S. District Court, District of
New Jersey), ³[for Order ²entered August
25 26, 1985² awarding]³ attorneys' fees,
costs and disbursements ³[in non-remedy
27 part,² as modified and affirmed by U. S.
Court

29 of Appeals on February 12, 1987.....¹[\$215,982.42] ²[\$220,125.36¹]
\$221,411.10²]³

31 Pellettieri, Rabstein and Altman,

33 Attorneys for Plaintiffs Jeffrey May et

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SRF committee amendments adopted December 8, 1988.

² Assembly floor amendments adopted February 6, 1989.

³ Governor's line-item veto changes.

al., in May, et al. v. Cooperman, et al.
 and Karcher, New Jersey General
Assembly, Orechio, and New Jersey
Senate, Defendants-Intervormors, No. 1[38]
83¹-89 (U. S. District Court, District of
 New Jersey), for Order ²entered January
21, 1988² to pay attorneys'
 fees and costs ²[entered January 21,
1988 ¹and for Order to pay attorneys'
fee and costs entered October 28,
1988¹] for U.S. District
 Court trial²¹[\$81,947.17] ²[\$287,170.47¹]
³[\$88,510.67²]³

²Pellettieri, Rabstein and Altman,

Attorneys for Plaintiffs Jeffrey May et
al., in May, et al. v. Cooperman, et al.,
and Karcher, New Jersey General
Assembly, Orechio, and New Jersey
Senate, Defendants-Intervormors, No.83-89
(U. S. District Court, District of New
Jersey), for Order entered October 28,
1988 to pay attorneys'
fees and costs for 3rd Circuit
Court of Appeals and U.S.
Supreme Court appeals³[\$148,945.75²]³

Total Appropriations, Claims.....¹[\$297,929.59] ²[\$507,295.83¹]
³[\$458.867.52²]³\$1.00³

2. This act shall take effect immediately.

STATE BUDGET AND FINANCE

Legislature

Supplemental appropriation of \$1.00 for certain claims against the Legislature
 for attorneys' fees and costs.

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71	Dr. Eric Munoz Medical Director University of Medicine and Dentistry
79	Dominick Camesti Senior Vice President New Jersey Hospital Association
105	Calvin E. Brodson Division of Pensions New Jersey Department of the Treasury
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SENATOR LAURENCE S. WEISS (Chairman): Let me give you some other numbers for this afternoon: S-890, Senator Lynch's bill; Senate Bill No. 2474, Senator Costa; Senate Bill No. 2677, Senator Gagliano; Senate Bill No. 2699, Senator Feldman, Senate Bill No. 2907, Senator Bassano. Those bills will be heard today, but later this afternoon. If you're here to appear for any of those, you're free for awhile.

The first bill on today's agenda is Senate Bill No. 2981, Senator Codey. Is Senator Codey here? (no response) The information that I have is that Senator Codey, for personal reasons, can't make it this morning, so I'll have to go on without him.

The first one on this morning's agenda is Commissioner Coye. And she is in favor of the bill.

UNIDENTIFIED MEMBER OF AUDIENCE: Excuse me, Senator, you called a bill with Senator Codey-- You called 2689, but the only one I see here is 2685 with respect to Seton Hall.

SENATOR WEISS: I called-- I just called the Senate Bill of Senator Codey as 2981.

UNIDENTIFIED MEMBER OF AUDIENCE: I'm sorry.

SENATOR WEISS: It's a different bill.

UNIDENTIFIED MEMBER OF AUDIENCE: Okay, sorry.

SENATOR WEISS: Commissioner.

COMMISSIONER MOLLY JOEL COYE: Good morning, Senator Weiss, members of the Committee. I'm here to testify today in support of Senate 2981 -- a bill that would continue the Uncompensated Care Trust Fund -- to tell you about some of the consequences that would ensue if this bill were not passed and the Trust Fund does not continue.

This bill is entirely consistent with what we have learned about uncompensated care; who causes it, how it is paid for, and how to reduce it. It's consistent with what we have learned for more than two years of intensive work with the

Trust Fund Advisory Committee created by the legislation two years ago, and the Steering Committee on Uncompensated Care within our Department.

The key features of this bill which I strongly support are, first of all: the continuation of the Trust Fund financed via the uniform statewide add-on; secondly, the imposition of stringent collection procedures; a two-tier system of emergency room pricing; pilot programs to increase private health insurance coverage; requiring college students to have health insurance while they're in school; and requiring employers to provide information on health insurance to their workers. These are all very important steps that will contain the rise of uncompensated care and perhaps in time even reduce its cost.

The Uncompensated Care Trust Fund has been remarkably effective. It has ensured competitive equity among New Jersey hospitals. It has ensured continued access to care for residents of our State, and it has maintained a broadly based financing mechanism to reimburse hospitals for their bad debt and charity care.

I'm going to summarize part of the testimony so that I don't take as much time this morning. I'm turning now to the bottom of page three for those of you who want to follow the written document.

In summary of the discussion of access to care, our system has won national recognition for its ability to ensure access to needed hospital care for those who cannot afford it. I have been, as Commissioner of Health, however, very conscious of the need to keep uncompensated care costs as low as possible and to require that all those who can afford to pay for their hospital care do, in fact, pay.

Let me describe for you some of the programmatic and technical improvements that have been made in the Trust Fund over the past two years with the advice and help of both our own departmental Steering Committee and the Trust Fund Advisory Committee.

First of all, charity care regulations have been adopted to codify the steps necessary for hospitals to ascertain a person's eligibility for charity care.

Secondly, a series of financial ratios have been developed which will alert our staff to hospitals which have a sudden, unexplained increase in their uncompensated care. This will allow us to pinpoint potential problem hospitals very quickly so that corrective actions can be taken.

Thirdly, cost reduction demonstration programs are now in their second year. What this means is that when we find a hospital has a particular problem, these programs can attempt to lower uncompensated care costs through triage of non-emergent patients, to less costly hospital-based clinics or community health centers. We also provide the option for hospitals to develop innovative programs in this way.

The strict hospital collection guidelines that we proposed have been approved by the Health Care Administration Board. These guidelines mandate the type of information that hospitals must collect for patients who do not show evidence of health insurance, and the series of steps that hospitals must take and document to show that they have made a good-faith effort to collect money from patients before they try to collect from the Trust Fund.

The Rate Setting Commission has actually applied stringent penalties to hospitals which, upon audit, haven't taken or documented these necessary procedures. And over \$5 million in penalties have been recommended through this mechanism.

We have also worked very successfully with the Medicaid program and with the county welfare systems to improve the ability of some of our largest hospitals to enroll people who are eligible for these programs while they are still in the hospital. One of our hospitals reports that with an expenditure of only \$30,000 they will be able to recoup \$6

million for care which otherwise would have been paid for through the Uncompensated Care Trust Fund. We expect to expand this mechanism to a large number of hospitals that have a high uncompensated care burden this year and next year.

Two features of the bill before you are also important in this regard. First of all, it places requirements for hospital collection procedures in the law itself, to make it even more clear that hospitals have to make every effort to collect money from patients who can pay their bills, before they can turn to the Trust Fund.

Moreover, the legislation will still allow me to impose additional or more stringent steps in the process when they are warranted.

The legislation before you would also require hospitals to bill non-emergent patients who use the emergency room at a lower rate than for patients who are true emergency cases. This is vital because a very significant amount of uncompensated care costs are for non-emergent visits to emergency rooms.

I would like to point out that there is a very broad base to support uncompensated care in the Trust Fund mechanism. Uncompensated care may cost as much as \$500 million in 1989. That is almost 10% of total hospital revenues.

We finance uncompensated care by means of a surcharge on hospital bills. And I will list for you seven major payers of those bill. I'd like to point out, in advance, that many of these payers would not be covered -- would not be contributing to the cost of uncompensated care through other mechanisms. And it was the review by the legislatively created Uncompensated Care Trust Fund that pointed out the breadth of this base.

First of all, of course, the 89% of all New Jersey residents who have health insurance pay indirectly for uncompensated care through slightly higher health insurance premiums.

Secondly, out-of-state users of New Jersey hospitals pay for uncompensated care directly through their hospital bills.

Out-of-state employers and insurers of New Jersey residents also pay for uncompensated care through hospital bills. Self-insured companies and individuals pay for uncompensated care, again, through their hospital bills.

State, Federal, county, and municipal governments pay for uncompensated care through their health insurance premiums. And the State Medicaid program pays for uncompensated care along with, and equally with, other payers.

The Federal government pays for uncompensated care through its half of the costs of the Medicaid program, and in 1988 it has been paying through the Medicare program that, of course, will end in January.

This last point regarding the Medicare program requires some explanation. For the last nine years, we have had a waiver from the Federal Medicare program that allowed the State to set Medicare payment rates at the same rate as for other payers. The reason we could do that is because New Jersey's hospital rates were lower than those that the Medicare program nationally would have paid for its own system. This made it possible for Medicare to pay its equitable share of uncompensated care in New Jersey. Because Medicare is responsible for almost 46%, almost half of all hospital revenues in New Jersey. Medicare paid for almost 46% of uncompensated care costs. It carried its fair share of the burden.

Over the years since 1984, however, Medicare has reduced its Federal reimbursement rate to hospitals, while in New Jersey we have not. They have been rationing down, and we have not. Eighteen months ago, Medicare's national rate had decreased enough to cut into the savings of our New Jersey system, and Medicare began to pay less than its full share of

the uncompensated care cost. In order to maintain the Medicare waiver, and with the concurrence -- the agreement -- of the hospitals and the payers, we have been forced to shift increasing amounts and now virtually all of the uncompensated care obligation that Medicare was carrying onto the remaining payers of care. In fact, in 1988 Medicare will pay only about \$25 million of uncompensated care.

We have no expectation that the Medicare waiver will be in effect after December 31 of this year. As a result, Medicare will only take responsibility for the bad debt of its own patients; that is, the elderly or disabled who may not pay their co-payments or deductibles. For the last year, we have been working with the major payers and the hospitals through the Joint Hospital Payer Task Force to develop a reimbursement system for 1989 and beyond. This Task Force has been addressing the issue of how to allocate any of the general Medicare underpayment or overpayment that may result as the Federal government continues to ratchet down in their rates. But this is not an uncompensated care issue, and I have the concurrence of the payers in the hospitals that it should not be addressed in this bill.

For all these reasons, I think it's important to emphasize that the financing mechanism of the Trust Fund provides an extremely broad base through which to spread the costs of uncompensated care. I would add that their financing mechanisms studied by the Trust Fund Advisory Committee and the Steering Committee would not result in as broad a base and would exclude the out-of-state and governmental payers from contributing.

I'm turning now to page nine to discuss the cap on the Trust Fund.

Having said all this in support of the bill before you, I want to specifically address the issue of the cap that this legislation would impose on the amount of money collected

and redistributed through the Trust Fund add-on. This legislation, in section 6b, would limit the increase in the ratio of uncompensated care to total hospital revenues, to no more than one percentage point above the ratio in effect on January 1, 1989, therefore including the Medicare shift which has already occurred.

While I fully understand the need to control uncompensated care costs, I must point out the constraints that this cap imposes. Since 1980, the fundamental principle of our rate-setting system has been that hospitals will be reimbursed for 100% of their reasonable uncompensated care cost. If the amount of uncompensated care necessary exceeds the limitation imposed by the cap, hospitals will have to recover a significant amount of this sum through individual adjustments to their rates.

Under the cap provision, hospitals with uncompensated care greater than that which the statewide add-on can accommodate, will receive only part of their uncompensated care through the Trust Fund, and will have to receive the remainder through hospital specific rate adjustments. This means that hospitals with high uncompensated care will have a higher add-on, and thus will charge higher rates than those with low uncompensated care if the total amount exceeds the cap established in this legislation.

I'm going to skip over a fair amount of written testimony before you and resume again on page 15 of the document that you have. I'd like to turn to the issue of what will happen if this bill is not enacted.

If new legislation is not enacted by December 31 of this year, the Uncompensated Care Trust Fund will no longer be in existence and hospitals will revert to charging all their uncompensated care reimbursement through their own hospital rates.

210T The total cost of uncompensated care will remain the same, and the payers will continue to pay in aggregate the same amount. Similarly, employers in New Jersey will not pay less for their health insurance, since it will still have built into their premium structure the costs of uncompensated care.

But what will happen is, that hospitals with very high uncompensated care costs will have considerably higher rates than those hospitals that have low uncompensated care costs. We estimate that the uncompensated add-on will range from over 90% to about 5%, but that 30 of our 88 acute care hospitals in the State will have add-ons of 25% or more. Moreover, because the specific payer mix at each hospital varies, different payers -- including the self-insured union groups, HMO, commercial insurers, and so on -- will find that their uncompensated care responsibility for a particular hospital is far higher than under the current system.

210T The combination of these factors will lead to severe distortions in rates for patients and financial crisis for hospitals. Not passing this legislation will not save any money and may, indeed, increase uncompensated care costs. Moreover, we will lose the best method of attacking the root cause of uncompensated care -- lack of health insurance coverage -- by not having approved the pilot projects to subsidize care, the employee information program, and the college student insurance requirement.

210T Let me close by saying, again, very briefly, that New Jersey has distinguished itself as the only State in the country that fully reimburses hospitals for the cost of people who can't afford their health care. We have become increasingly more stringent in our audit and enforcement on the hospitals to make sure they are doing their job of making sure that people who go into the Uncompensated Care Trust Fund belong there.

But the result of this system has meant that we can say in this State, we don't have patient dumping; that patients can go into any hospital in the State and get care without economic discrimination, without the hospital doing a wallet biopsy before they provide medical care. That is the pride of New Jersey in our current system. We feel that the proposed legislation makes some significant improvements in that Trust Fund mechanism, particularly in strengthening the audit and financial requirements aspects of the bill, and we hope very much that you will support it. Thank you.

SENATOR WEISS: Thank you very much, Dr. Coye. Would you be kind enough to explain to me the uniform surcharge system that we use -- that's 10.9 now?

COMMISSIONER COYE: It's 10.5 for the second half of 1988. It's set on a six-month basis and--

SENATOR WEISS: Is my figure an old one -- 10.9?

COMMISSIONER COYE: Yeah. That figure is constructed -- in very simple language -- by putting the total amount of uncompensated care in the system as the nominator on top of a denominator which includes all hospital approved revenues, excluding uncompensated care.

SENATOR WEISS: Is there-- It's my understanding that this 10.5 figure is likely to go higher at some time in the near future.

COMMISSIONER COYE: Let me explain that--

SENATOR WEISS: Would you, please?

COMMISSIONER COYE: --since this is an item that can be confusing to the best of us. I have prepared three paragraphs which I think will be helpful, if I may read them to you, because the terminology in this can get rather complicated.

SENATOR WEISS: Well, if it's that complicated, read it slowly.

COMMISSIONER COYE: Okay. (laughter) For the last 18 months, Medicare has been contributing less than its

proportional share of revenues towards uncompensated care. This is what I referred to in terms of their ratcheting down. They've been paying less and less. As a result, the part that Medicare has not paid has been shifted onto the other payers. This is the shift of the Medicare shortfall. When the waiver ends at the end of this year, Medicare will no longer pay anything towards uncompensated care except for the bad debt on Medicare patients. So, they'll still be paying a tiny piece.

The difference to the other payers at the end of this year will be very minimal. Only about 25 million additionally will have to be shifted, because almost all of that shift of Medicare has already occurred over the last 18 months. The vast portion of Medicare's nonpayment has already been shifted to private payers. So, in other words, the remaining Chapter 83 payers, State Medicaid, Blue Cross, and commercial insurers, will only have to pay an additional \$25 million dollars, which is about 5% of the total uncompensated care cost in 1989.

This arrangement has been suitable to most payers and most employers. I'm sure that you would have heard from them if they had found this arrangement totally untenable. Even if it was an industry association which would prefer to see a different method of financing uncompensated care, it does not question the need to pay for uncompensated care. And more significantly, the Prudential Insurance Company, the Health Insurance Association of America, and Blue Cross support the concept of payment for uncompensated care through the Trust Fund. Prudential even favors an uncapped add-on that would reflect the true cost of uncompensated care.

The statewide uncompensated care add-on for the second half of 1988 is set at 10.5%. That was the figure that you referred to. In addition to this, we have already shifted over \$150 million from Medicare onto the other payer.

Under this legislation the amount of money raised by the add-on will reflect the total uncompensated care cost --

both the statewide add-on that we have had to date -- the 10.5% and the Medicare shift -- most of which we have already done. What this legislation caps -- or puts a cap on -- is the total amount of uncompensated care in proportion to the total amount of hospital revenues. Currently, uncompensated care is just over 10% of total hospital revenues.

This bill would limit uncompensated care from increasing more than one percentage point over this ratio. Any hospital that needed more money would be forced to go to the Rate Setting Commission and request it. And the Rate Setting Commission is in power to force a hospital in this position to adopt a cost reduction strategy; in other words, to show how they're going to reduce their uncompensated care.

And in this way the bill will allow us to raise the amount necessary to pay for legitimate uncompensated care, but limit how much that uncompensated care can increase in the future. So, in other words, passage of this bill does not increase the cost of uncompensated care, and except for the final \$25 million Medicare shift, does not change the obligation of payers in this State from what they have been paying for the last year.

SENATOR WEISS: On the uniform surcharge -- the 10.5 now -- what is the maximum that that could go to?

COMMISSIONER COYE: It would go to 1% over what it would be on January 1. And what it would be on January 1 would be something close to the 10.5 -- the ratio between uncompensated care and total hospital revenues. We can't give you exactly what the figure is until we look at the final-- And it would include the 25 million final shift from Medicare, so it might be 11 or -- I don't think -- 11 or 12.

SENATOR WEISS: It can't go to 20, or some such number?

COMMISSIONER COYE: No, but I think that what you are concerned about there -- and I should explain it -- is that the 10.5% is all uncompensated care on top of all revenues,

including Medicare. If you take Medicare out of the base in doing the calculation, you come out roughly to -- 16% to 18%. But that is not the ratio of uncompensated care to all hospital revenues. That is the ratio of uncompensated care to all of the payers that would be continuing to pay into our system.

But, if I could stress one point: That does not represent any significant change in what the private payers, and Blue Cross, and State Medicaid are already paying. In other words, even if we calculated this 18%, there is not an increase from what they have been paying in 1988 to 1989, except for the final 25 million.

SENATOR WEISS: It's shifting of revenues?

COMMISSIONER COYE: Yes. The shift has already occurred. They've already been paying that for the last year-and-a-half.

SENATOR WEISS: Plus growth?

COMMISSIONER COYE: I'm sorry?

SENATOR WEISS: Plus growth? Plus cost?

COMMISSIONER COYE: I'm not sure what you mean by that.

SENATOR WEISS: Well, it has to be-- There should be some growth in the expense of this program somewhere in the hospitals.

COMMISSIONER COYE: Yes, but--

SENATOR WEISS: And their costs have to go up, and if it doesn't stay status--

COMMISSIONER COYE: Yes, but you understand their denominator is going up, too. It's proportionable revenues. As total hospital costs go up, then uncompensated care absolute amount of money goes up, but as a proportion it doesn't necessarily go up. In other words, it's 10% or 11% of what total hospital bills are, so that both of those amounts go up together. But relative to total revenues it doesn't increase. It should not increase and this caps it. This actually says, it can't grow more than 1% beyond the ratio that it is now.

SENATOR WEISS: I think I understand what you're saying, but I--

COMMISSIONER COYE: Okay, let me try again: If the hospital bills in 1988 for a certain procedure are \$100 and uncompensated care is 10% of that, it's \$10. If the inflation of hospital cost continues to skyrocket and it's \$120 in the next year, uncompensated care will be \$12, but it still will only be 10%.

SENATOR McNAMARA: No, but it would be capped with another one so it would be \$13, wouldn't it?

COMMISSIONER COYE: It can rise by 1%, yes, but that's a final cap and it can't go any higher than that without going to--

SENATOR McNAMARA: That's \$13.

COMMISSIONER COYE: I'm sorry?

SENATOR WEISS: What I think the Senator is saying is that it's compounded.

COMMISSIONER COYE: It's-- Let me put it this way: In 1990 it would still be 12% of--

SENATOR WEISS: Of a higher number.

COMMISSIONER COYE: Yes, I'm not--

SENATOR WEISS: That's not 1%, and I think that's what they're saying.

COMMISSIONER COYE: Yeah. As hospital bills go up, obviously the cost for the same people who are indigent goes up as well, so that's why those two numbers go up in tandem. Am I answering-- I think we understand each other but I'm not sure what's referred to when you say "compounded," so I'm just not sure if I'm giving the right answer.

SENATOR McNAMARA: Adequate for the moment.

COMMISSIONER COYE: Okay.

SENATOR WEISS: Could you tell me, Doctor, what the value of the waiver was?

COMMISSIONER COYE: The value of the waiver was two things: First of all, it was enormous simplicity so that we didn't have a bunch of different systems operating at once, especially when they were getting the DRG system up and going. And secondly, because for a long time our costs were lower than the Medicare cost, we could say to Medicare, "We want to keep the difference that we're earning and use it for uncompensated care." And they would let us do that. But as they ratcheted down in how much they would pay and our costs continued to go up, we narrowed that gap, and that's when we began to have to shift.

SENATOR WEISS: And that came down to what amount?

COMMISSIONER COYE: Now with the 25 million--

SENATOR WEISS: Twenty-five million--

COMMISSIONER COYE: --the total amount has been shifted--

SENATOR WEISS: And when did it start?

COMMISSIONER COYE: I'm sorry?

SENATOR WEISS: What was the original number, the highest amount we got?

COMMISSIONER COYE: It's about 150 -- 180 million.

SENATOR WEISS: One-hundred-and-eighty.

COMMISSIONER COYE: Yeah.

SENATOR WEISS: Okay. I have Senator McNamara who would like to discuss a matter.

SENATOR McNAMARA: Commissioner, my understanding of the original legislation, was that one of the main thrusts and charges was to come up and look for alternative methods of addressing uncompensated care. And it seems that we have successfully -- after the 18 months -- have gone back, last minute-- Again, as the other legislation crisis has to be passed right away, and obviously we all know the reasons why it has to be passed-- Were there any other alternative methods that were discussed and investigated and looked into?

COMMISSIONER COYE: Yes, Senator, there were an enormous number of other methods, and that's what the Uncompensated Care Trust Fund Advisory Committee spent that two years on. They concluded last spring that there was-- Let me separate two pieces out; one is the Trust Fund mechanism for collecting and distributing moneys, and the issue of where you get the financing from.

There was strong agreement on the Advisory Committee that the Trust Fund mechanism works very well as a way of getting, rapidly and effectively, the money out to the hospitals for their uncompensated care costs; that there was a lot of discussion and not complete agreement on the system to use for the financing of it. The committee looked at all kinds of different proposals for how to finance this. And the report which they issued, or which I finally issued based on their recommendation, summarizes exhaustively all of the different mechanisms they looked at.

They looked at the idea of the UI Trust Fund; they looked at general revenues; they looked at increasing private insurance, all kinds of methodologies.

In the end, the method that people came down to discussing was the idea of some kind of employer tax of some kind. And that as we looked into it, it did not seem to offer right now significant advantages over this mechanism and the mechanism that is currently used of the hospital surcharge.

SENATOR McNAMARA: But you know, Commissioner, you say "right now," yet your bill would adopt this ad infinitum.

COMMISSIONER COYE: Well, when I say, "right now," I mean only because there appears to be a fair amount of turmoil at the Federal level about what ought to be done about the national problem of uninsurance; that while our rate is only 11%, nationally it's 15% and growing very, very quickly. And major employers and many people in Congress are quite concerned about this. And there's a lot of discussion at the national level about congressional action that might impact on this.

SENATOR McNAMARA: I guess the problem is that I look at auto insurance, and we try to socialize that to solve a particular problem. We have successfully socialized that, and now have made it to where the cost is prohibitive for the average family.

I have people coming into my office in tears, working people, who do not have the benefit of a company that provides their health insurance. You say Blue Cross Blue/Shield supports it, yet since 1986 the cost to the average ratepayer is up \$800.

Now, you know, when you take an elderly person that is working within a limited confine, a limited ability to get increases in their pay, the impact on them is tremendous to where they are. They're at the verge of either starvation or dropping their health insurance coverage. And I think if it's good public policy, and if you really believe that it's good public policy, that it has to be addressed in another manner.

If it means that we have to take it out of general revenue, if we really believe that that's what should be done, then that's how it should be done. But to lay off the expense -- the total expense of this program -- on the ratepayers, the people who have privately -- the companies that carry it -- I just can't buy that as a basic principle. I would like to today recommend that an amendment be made that this bill not be extended beyond 18 months to 24 months maximum to give a charge to that committee to come up with a recommendation for a more equitable alternative way of funding uncompensated care.

And you know, I would like-- You mention that you have some successful programs and how you have, you know, lowered uncompensated care cost. I'd like you to cite some of those, you know, programs that you have done and what the impact was in dollars and cents.

COMMISSIONER COYE: Okay, the first one was the one that I mentioned about Jersey City, where \$30,000 to hire a

Medicaid worker has resulted in about \$6 million in collectibles through Medicaid.

SENATOR McNAMARA: Was that program initiated by Jersey City, or was that through a recommendation?

COMMISSIONER COYE: No, it was by us. We went up to meet with them and asked them to do this and--

SENATOR McNAMARA: When did that affect-- When did that happen?

COMMISSIONER COYE: It began in 1988.

SENATOR McNAMARA: In 1988?

COMMISSIONER COYE: Yeah. And we're now talking with UMDNJ and a number of the other hospitals that have high burdens, because of the success of the Jersey City experiment.

SENATOR McNAMARA: Commissioner, might I ask a question? Why did it take until 1988 to come up with such a brain thrust of hiring someone to basically check what is going on?

COMMISSIONER COYE: Christine Grant may have some additional comments from what the Trust Fund Advisory Committee worked on, but this idea was one of a number of proposals that came up. That's the purpose of having the Trust Fund Advisory Committee, and we have been working on that since spring of '88. Why it wouldn't have come up before, I don't know, but I think it's great that it did.

SENATOR McNAMARA: Well, wouldn't one of the things that would send up a red flag to the amount of moneys that were spent in -- for uncompensated care in a particular institution-- Wouldn't that raise those to be the ones to look at first, and analyze?

COMMISSIONER COYE: It definitely did, and we had been working with many of those hospitals. One of the things we did in '87, was to put out an RFP to all the hospitals with high uncomp care loads, offering to give them a break if they would come in with an innovative plan that showed how they could

reduce their uncompensated care costs. We would help them with some start-up money to get the new system in place.

I think initially two or three hospitals came in and were approved with those plans, and we have the RFP going out again for a second time.

SENATOR McNAMARA: All right. But what action was taken against those hospitals that did nothing?

COMMISSIONER COYE: This is the \$5 million in penalties that have been taken against hospitals that did not properly act on their auditing and financial records.

SENATOR McNAMARA: And how much of that money has been collected?

COMMISSIONER COYE: Oh, it all will be collected, but it's collected through the rates. In other words, as they pay their rates they pay that additional amount. But there's not--

SENATOR McNAMARA: And it's collected through their rates how; by penalty or by increasing their rate so that their rate is that much higher?

COMMISSIONER COYE: No, no, no. They have to take it out of their existing moneys; in other words, out of their regular rates. We don't bump up the rates to pay the penalty.

SENATOR McNAMARA: All right. Then are you going to deduct that from the payments that you're making them -- on uncompensated care?

COMMISSIONER COYE: I don't know if that's the mechanism. They wind up with less money. I don't know which mechanism is used.

SENATOR McNAMARA: Well, I would like to know what the mechanism is.

DEPUTY COMM. CHRISTINE M. GRANT: You make a good point. The way the system would work-- The uncomp penalty or any penalty on a hospital would essentially result in a lowering of their overall rate. To date that would not necessarily mean that their next year's uncompensated care

amount at that hospital would be reduced, but their total rates would be reduced. You make actually an excellent suggestion. If you could focus on-- We probably could do that with the regulation change. But the overall revenue that that hospital yields will be less, payers will pay less, and, therefore, they will pay less because in the past an individual hospital did not follow all the collection and billing procedures, so they, indirectly, will have reduced rates to the tune of 900,000 to a million, depending on the hospital.

SENATOR McNAMARA: But, what I am saying-- I'm glad you think it's a good idea. I think it's kind of obvious that it would have been a very--

DEPUTY COMMISSIONER GRANT: But the reason--

SENATOR McNAMARA: You're going to send a message to them very loud and clear that if they're-- I don't want to use the words "ripping off," but for want of a better word, let's say "ripping off" the system by taking it from here, then I would suggest that if you want to get the message home that you're serious, you deduct from that payment what they're going to receive in the next year. And you'll find that they might have a real incentive to clean house, because they don't want to lose those funds.

The other problem that I see-- Even when you're talking of the cap -- and I believe there should be a cap -- we're going round-robin back to where we're going to-- We have come 180 degrees after raising all the rates by the Blue Cross example, the 800 to the average consumer that doesn't have health insurance paid for by a company. That with the cap -- and there's a shortfall on uncompensated care-- It's going to be their problem again.

That I have a problem dealing with, because it seems that that's how we started with the uncompensated care program to begin with; because certain hospitals within cities, or whatever, that had a high level of uncompensated care, were in

trouble and needed funding. Now we're saying, "Okay, we've given you this infusion of money, and bango, now we're going to cap it and we're not going to pay you if you run over this." Does that mean they don't handle the patients? Where do we go again?

COMMISSIONER COYE: Okay, two specific answers: First of all, an individual hospital that hits the limit of what the Trust Fund will pay for under this extension of the Trust Fund will be able to go to the Rates Commission, and say, "Our needs for uncompensated care are" -- given that they can demonstrate through audits, etc. -- "are of 'X' type; go beyond what the Trust Fund can afford to reimburse us given the cap." And the Rate Setting Commission, after review, can grant them permission to increase their hospital specific rates to cover that cost of uncompensated care.

Hopefully, if we can keep uncompensated care down, very few hospitals will have to do that. There is no intrinsic reason why uncompensated care should rise beyond the 1% cap that we have in place. All hospitals now would be able to be compensated for their uncompensated care under this system. There's a 1% easement for what might happen in the near future, but I share the philosophy that there is no reason to assume that hospitals should go higher than that; that our statewide uncompensated care should go significantly more than 1% of the current proportion that it is.

So, I think this is a very good safety valve to have in the case of those few hospitals where there might arise a special problem. But, by and large, the most important response will be when a hospital starts to show that it's getting, for some reason, a strange increase in uncompensated care above what it's had in the past. Both the Rate Setting Commission and the Department would come in and look at that and the continuing Trust Fund Advisory Committee, and ask them

for some plans about what they plan to do about this and what kind of help they need to do something about it so that the problem gets solved.

SENATOR McNAMARA: Does the Department now have a criteria by which they would move immediately on a hospital-- Aside from now you're looking at the 1%, but here you're talking about a \$30,000 investment -- that's going to give you a \$5 million return. It was instituted in the spring of 1988, and this program went into effect 18 months ago. That really troubles me; it really does.

I'm glad that you did that. But it's like after all the horses got out of the barn and there is one lame one left, we close the door. That troubles me also. And I'm just beginning to wonder if the Department has been effective in examining those hospitals and those institutions that have an extraordinarily high level of uncompensated care.

COMMISSIONER COYE: I think we've been very effective, and let me give you a basic statistic that I think bears it out. Nationally the rate of uncompensated care is higher and has risen faster than in New Jersey, despite our having what you might consider the most generous system in the country in terms of reimbursement to hospitals for uncompensated care. We are lower -- 11% compared to 15% with the country -- after nine years of paying for uncompensated care.

SENATOR McNAMARA: We also have the highest employment ratio, and most probably have more people with insurance than the other states. I think if you're going to make that as a comparison and justification of how effective the department is, I think we've got to analyze everything else about those states that you're comparing to.

COMMISSIONER COYE: But we've had a tremendous-- Compared to the rest of the country, we've had a very strong shift away from blue-collar employment that provides insurance benefits, into the service sector, so that the economic growth

we've been experiencing is precisely the kind that doesn't solve the insurance problem. So, it's been a very-- We would have expected it very much based on national statistics to go the other direction.

SENATOR McNAMARA: Commissioner, when I look at an \$800 increase for a policyholder -- a Blue Cross/Blue Shield policyholder since 1986 to present -- I'm not so sure I would want to hold that up as a flag of how wonderfully I've done to cover uncompensated care. What we've done is we've shifted a burden to the average person. The person who has no insurance goes in and pays a portion of that uncompensated care. I think, really, what we have to look at, aside from it all, is public policy. If it is good public policy, then I would suggest that you would be an advocate to see to it that it's paid for. Quite frankly, I'm beginning to think general revenue is the place where it belongs. I'm tired of the no tax syndrome, and let's do this and let's do that, and then meanwhile we do it by fate. So, who's kidding who?

COMMISSIONER COYE: There's a couple of points, and I think they're important because the Trust Fund Advisory Committee and we in the Department, have spent a long time thinking about this issue. First of all, obviously, we all feel that health care costs are rising too fast and I know-- I get letters, too. I understand what you are saying about Blue Cross and about premiums for commercial insurance and everything else.

SENATOR McNAMARA: I'm not-- I'll tell you what. It's not that I'm unsympathetic; I happen to own a business. But, thank God, I'm in a profit situation, and I can afford to pay those costs. But they are ridiculous at the rate they're going up. What frustrates me is that whole-- You know, we always talk about people going through the cracks. I don't exactly come from a district where it's known to be an average to low income, so if it's a real serious problem in my

district, it's got to be a horrendous problem in other districts. And what we're doing is, we are penalizing those people who are employed who do not have health care coverage via their company, and they're paying it out-of-pocket. And it's getting to a point-- I mean, when you look at an \$800 increase, really what we've done-- We've socialized this cost -- and I have a real problem trying to call it anything else -- but to me, it looks like it's socialized medical coverage, and we're doing it through the backdoor.

COMMISSIONER COYE: Well, there are a couple of things: First of all, most of the rise in Blue Cross premiums and commercial insurance premiums in New Jersey, far more than in the rest of the country, is due to out-of-hospital costs, not to hospital-based costs. So that the bulk of the problem that your employees and your constituents--

SENATOR McNAMARA: Well, excuse me. I'm not going to argue with what you're saying, but that may account for the other costs of how much Blue Cross and Blue Shield went up. I'm talking \$800 of it is attributable to this, according to Blue Cross/Blue Shield. Now, they may-- I believe they've gone up \$1200.

COMMISSIONER COYE: Well, I don't know what you're referring to, but as a matter of fact, uncompensated care is only responsible for about \$40 to \$60 of the average insurance premium. It's nothing close to \$800. It's a relatively small amount. We feel that given it's a relatively small amount and that 89% of the public have health insurance -- or are paying it in their premiums, compared to 91% who would pay general revenues -- that it's a roughly comparable general base. In addition, this way we get out-of-state people who are hospitalized in New Jersey to be paying into our system, which they would not be doing if we were doing it out of general revenues.

So, when, as I said, we looked at this long and hard-- This isn't an issue that was unresolved and unchanged because we just didn't bother to look at it. We spent a long time looking at this. And we had two committees -- both the Trust Fund Advisory Committee and the Steering Committee -- which had even broader attendance or broader representation on them, looking at all these mechanisms, and this mechanism is very close to general revenues in its breadth. It also accomplishes the financing currently and in the foreseeable future of a problem which has been constrained in New Jersey, rather than growing out of bounds.

So, our sense was that if it's working, don't change to another system where we're going to lose the out-of-state employers, where we're only going to maybe pick up 1% more in breadth of base.

SENATOR McNAMARA: Commissioner, I'll defer. You know, you're talking it costs \$60 per policyholder. I got my information from: One, Senator Codey's statement, who is the sponsor of the bill, in reference to Blue Cross/Blue Shield of New Jersey. So--

R I C H A R D W. L L O Y D: (speaking from audience) I'm from Blue Cross. I think just to clarify this point, in my statement on the bill it says, "Since 1986, almost \$800 has been added to the cost of the average customer inpatient hospital stay."

SENATOR McNAMARA: Because of those shifts.

MR. LLOYD: But that is not reflective of an \$800 increase in premiums. What we're saying is that when an individual went into the hospital--

SENATOR McNAMARA: How much has your premium gone up since 1986?

MR. LLOYD: It would depend upon which--

SENATOR McNAMARA: I suggest to you that it is in excess of \$800, quite frankly. I pay the bills.

MR. LLOYD: Sir, I'm in agreement with you that our premiums have gone up.

SENATOR McNAMARA: And my debate-- I want to end the debate here. Senator, later, at the appropriate time, I'd like to offer that amendment--

SENATOR WEISS: Thank you.

SENATOR McNAMARA: --to constrain it to a two-year--

SENATOR EWING: What about one-and-a--

SENATOR WEISS: Thank you, Senator McNamara.

SENATOR EWING: What about one-and-a-half?

SENATOR WEISS: Senator Zimmer, I have Senator Rice, and then I'll get to you. Thank you, Senator. Senator Rice.

SENATOR RICE: Thank you, Mr. Chairman. I have to agree with the Senator who just finished articulating his views. I guess I'm in somewhat of a dilemma as a representative of the people because, you see, I have the small business folks who many people in the State forget exist in my community, and then I have those people who are working and don't really have the coverage. So, I lose job opportunities that presently provide no real coverage and, I guess, add to my homeless and unemployed population.

So, I would like to support that amendment that Senator McNamara's talking about, because I would hate to see us not cover those who are not presently covered. But, by the same token, I think we need to pay attention to where the dollars are coming from.

I just have a couple of questions because when we indicate that there are approximately 840,000 people who presently are not covered one way or the other in the State of New Jersey, and then we acknowledge that 40% of those people are employed, that disturbs me because I kind of sense -- and it may be my bias as to who those people are and where they are located-- But my question is, you don't happen to have a

breakdown of that 840,000 as it relates to male/female, ethnic background, age group, do you, and geographic locations in terms of counties?

COMMISSIONER COYE: We have it by hospitals. We may be able to see whether we can get it by counties. We don't have racial. We do have age and sex, I think.

We also have some proxies, some indicators that could get us close to that information, we can provide you that would be estimates. But, due to the way the information is collected, we don't have the complete breakdown that you're asking for.

SENATOR RICE: Mr. Chairman, I would--

COMMISSIONER COYE: However -- if I could just answer -- I think that what you suspect, that what you're talking about is right. I think that probably what we know nationally -- and there's no reason to assume it's different in New Jersey -- that obviously it's not only the poor people, but it's women and children and it's minorities that don't have health insurance. So, independent of whether we can get you the specific data, I think that you're probably right in your--

SENATOR RICE: Well, I'm certain with the money we pay State workers and the expertise we have, you can get the data. I would like to just move, through the Chair, that the data be provided to this body within a reasonable period of time, because it does become important even with the debates and the arguments that indicate how it should be paid for -- who bears the burden. I can't have a small plant like Consolidated Laundry, which may employ 60-75 people in my community, out of business because they have to pick up some loads they can't even afford.

But, by the same token, the reason I would like to have that data is because we deal with the proxies and things of that nature, then wind up in the same position that you and I debate over AIDS patients -- you know, the reported incidents.

The other question that I do have is -- as relates to paying, now -- what is the time frame-- Do we require hospitals to be audited every year, annually, or do they only audit when we make a request?

COMMISSIONER COYE: Yes, they're audited every year.

SENATOR RICE: What do we look-- Do we look for anything in particular, or just see that the books kind of balance? Are we concerned about what--

COMMISSIONER COYE: Oh, no, it's very specific. We do chart reviews. We look to see whether the right kind of interviews and the right kind of collection procedures are followed. It's very detailed.

SENATOR RICE: Do we ever audit specifically Medicaid or Medicare?

COMMISSIONER COYE: It's auditing uncompensated care, which means we have to look whether they're doing the Medicaid collections and they're billing Medicare the way they should.

SENATOR RICE: And where the dollars are going, etc.?

COMMISSIONER COYE: I'm sorry?

SENATOR RICE: And where the dollars are going? There can be fraud inside of those areas, is that correct?

COMMISSIONER COYE: Yes. And in addition to that, as you know, Medicare and Medicaid do their own audits for fraud as well.

SENATOR RICE: All right. You see, the reason I raised that is because I can never seem to get institutions in my community audited or -- well, maybe not audited, but investigated, and maybe I should try to get some audits going. And the reason I raised that is because it goes back to the dollars and cents problem that I have.

But my question is-- This is necessary, we need to pay for it. Then my question becomes, what are we presently paying for? Are we paying, in many of these institutions of New Jersey-- You know, we always talk about the school system;

we always talk about how bad local government is, but we never go to the other side of that and look at institutions like hospitals, and say, "What are we paying for?" Are we paying for too much in PR contracts, for we can take those line item situations and put that money into another area such as uncompensated health care? Are we paying attention to Medicaid/Medicare as to whether or not the dollars are being utilized the way they should be?

Those are my concerns, and I think that's the real reason why I support the amendment that is going to be offered by Senator McNamara; because we need to do something.

But I think in the interim of doing something, maybe there are some other areas we need to be looking at, that the State doesn't want to look at, for whatever reasons -- at least in my area that I requested -- because we may find out that there are a lot of other dollars out there that we are already allocating for things, that are not being properly "managed or utilized" that we can create the shift with the same dollars without increasing the budget long term to address this.

And so if, you know, you can just get the information as to the geographic areas and the things I requested-- I know it may take a little time for someone to do the chi squares and that statistical stuff you all do, but I think you can get us that information. Then I would be willing to support this with the amendment as suggested by Senator McNamara, if he has an opportunity to present it. Thank you.

COMMISSIONER COYE: Senator, may I add some information that may be relevant to what the Senator was asking about?

SENATOR WEISS: Information for Senator Rice, certainly.

COMMISSIONER COYE: Yeah, about-- There is one provision in the bill that gets at the heart of what you're concerned about. Also, for the first time in legislation,

there will be a requirement that the Trust Fund Advisory Committee have a statutorily created Audit Committee, and that there be representation on that Audit Committee not only for insurance companies that have a lot of experience in looking into these kinds of issues, but also for employer representatives who are very concerned about spending money unnecessarily.

That would be the first time that that would be statutorily created and that will give us very close scrutiny of what the Department is doing and whether we're doing everything as aggressively as we can and should, in order to try and track down any dollars that could be retained in the system.

So, I think that that is a direct response to the kinds of concerns that you're voicing, that other people have voiced, and should be helpful in that regard.

I would like to encourage the Committee to consider carefully before putting another 18-month or two-year limit on this system because there was -- and I would be very glad to submit for your review -- a full report of having looked at every possible alternative means of financing. It was not just by the Department. It was by this multigroup, representational Trust Fund Advisory Committee.

And, after looking very carefully at all the alternatives, they recommended the continuation of the Trust Fund, I think in another 18 months or two years. What we get is a great deal of instability in the system without necessarily much likelihood that there are going to be a lot of new ideas that haven't been looked at.

Four years, which is the sunset that Senator Codey had proposed I think, would make it much more workable. There's a fair amount of difficulty that we have in getting people to take our stringency seriously if they know that the whole thing may be dismantled in two years again. But that has been one of the problems that we've had to deal with.

SENATOR RICE: Well, let me just ask this question then: If the Committee so diligently looks at other alternatives during the time of looking that they request audits from each of the hospital institutions in our State as related to Medicaid/Medicare and to some of the other appropriations that this body and others have made to see if, in fact, there are maybe some dollars floating in the wrong direction--

COMMISSIONER COYE: They looked very carefully at all the Medicaid categories of reimbursement in the specific hospital information. In other words, what proportion of each hospital's payments were Medicaid, including looking specifically at areas like prenatal care and children, because that's one of the highest uncompensated care cost areas, and it's obviously one where Medicaid overlaps a great deal. Part of that is what led to, ultimately, the biggest single increase anywhere in the country, and the State Medicaid reimbursement which was for the OB Program called Health Star, and it was specifically targeted to an area that results in a third of the uncompensated care costs. So, yes, the Committee did look at that quite carefully.

SENATOR RICE: But they didn't look at the possibility of fraud, right?

COMMISSIONER COYE: No. That Committee, and I doubt very much in the future because they're-- That's both Medicaid themselves as a State and Federal responsibility, and perhaps the Public Advocate. But we don't have-- We have skills for fraud in terms of whether the uncompensated care is not done, but not in terms of Medicaid procedures and regulations.

SENATOR RICE: Well, that's what I thought, and that's my concern. So once again, Mr. Chairman, if Senator McNamara will offer that amendment, I will support it, and the State will be hearing from me as to some areas we need to be looking in for allegations of the possibility of fraud. And if, in

fact, we find -- see -- within that two-year period, then we need to look at all the institutions because it means that there are dollars that we can shift. If we don't find it, then we need to take that two-year/18-month period and extend it so we can cover this packet. Thank you.

SENATOR WEISS: Thank you very much, Senator. Senator Zimmer?

SENATOR ZIMMER: Thank you. Commissioner, if I went to the hospital and had a procedure that cost \$1000, disregarding the uncompensated care component, how much will my bill be after the uncompensated care component is added to it?

COMMISSIONER COYE: Assuming roughly a 10%-12% add-on, it would be \$100 or \$120 added to the \$1000 bill.

SENATOR ZIMMER: I thought you said it's going to be 16% to 18% after--

COMMISSIONER COYE: Oh, I'm sorry. I was thinking in terms of flat add-on. Then it would be--

SENATOR ZIMMER: My bill. I mean, you know, my bill as somebody who is not a Medicaid recipient.

COMMISSIONER COYE: Yes, I'm sorry. You're not in the Medicare system--

SENATOR ZIMMER: Right.

COMMISSIONER COYE: --so your bill would be-- I can't apply 18%. It would be a 180 added on.

SENATOR ZIMMER: So, currently the add-on is 18%?

COMMISSIONER COYE: Yes.

SENATOR ZIMMER: Currently. What are-- You discuss-- There's 1% free board that's mentioned in the legislation for an additional increase. That's beyond 16% -- rather the 18%?

COMMISSIONER COYE: That would be up to 19%

SENATOR ZIMMER: Nineteen percent. And, of course, there's more beyond that that could be added, depending on what increases are granted between now and January 1.

COMMISSIONER COYE: We don't-- To be very blunt about it, we do not expect to have increases except the transfer of the last 25 million in Medicare so that the whole Medicare shift is complete, plus the calculation of what uncompensated care costs have been in 1988. In other words, we set six months ago, 10.5%. Typically, at the end of the year the percentage is a little higher than at the mid-year six-month point. So, I think at the beginning of '88 it was about 10.9%, and then it went to 10.5%. So that at January 1, according to that cycle, it might be close to 11%. It would have the 11%, complete the transfer -- the shift of the 25 million. Beyond that, there is not further amounts of money that we would be putting into it.

SENATOR ZIMMER: Would you object to including within the cap language in the pending bill, language that would make it clear, so that we can't get an interim increase that would make the 1% on top of that unjustified?

COMMISSIONER COYE: Let me make sure I understand. I think I would be in agreement with you, but let's just try and--

SENATOR ZIMMER: Well, yeah. I would like to know what the cap is going -- what the maximum rate is going to be, rather than say that it's 1% above "X" when we don't know what "X" is.

COMMISSIONER COYE: Our problem is that logically what we want to do is make sure that as of January 1 all of the legitimate uncompensated care costs for the second half of 1988 have been taken into account, because the 10.5 that we set in July is an estimate. It may be 10.6, 10.7, 10.8; that's why I'm giving 11% as an upper limit kind of idea. And we would then apply the last \$25 million shift in the 1% cap? I would be very comfortable with language that specified that is the approach so that you don't have to be worried that additional money is somehow being slipped in. But, we can't give a specific number yet, because we haven't been able to audit the hospitals' second half of 1988 returns.

SENATOR ZIMMER: Yeah, but you have a general idea, certainly within a fraction of a percent what that is going to be.

COMMISSIONER COYE: I think that-- I'm sorry. I think that we might be able to come up with it, but to make sure that we're covering all of the hospital uncompensated care costs, we would have to be 11% or higher, because we don't want to wind up squeezing out some of the hospitals by the way we approach this. But I am talking only about audited moneys for uncompensated care that are legitimately spent through the end of '88, plus the Medicare shift. So, it's not-- There's no new definition that's going to be slipped in, or anything.

SENATOR ZIMMER: You--

COMMISSIONER COYE: I think-- If I may finish?

SENATOR ZIMMER: Yeah.

COMMISSIONER COYE: I'm sorry. I think, in fact, what we would wind up doing if we had to specify a number now is-- In order to protect the hospitals, we would have to specify a number that might be higher than necessary as we actually finish the auditing. And I think that the legislative intent could be quite clear.

SENATOR ZIMMER: Well, what I would propose -- if it's acceptable to the Committee, and can be drafted by staff -- is that the lower 1% above the January 1 rate, or whatever the flat amount is which you think is reasonable just so we don't -- we have some actual cap that will not be transgressed.

COMMISSIONER COYE: So, if we gave you our best guess on the percentage--

SENATOR ZIMMER: Yeah, and that would be an alternative, and you have to pick the lower number. You'd have to abide by the lower number rather than when next year begins.

COMMISSIONER COYE: Of our best guess, or what is the alternative?

SENATOR ZIMMER: Or the current standard, 1% -- or the current language in the bill, 1% above the January 1 level. In other words, let's say you would like to have that flat amount, 11-1/2%, 12%.

COMMISSIONER COYE: But if--

SENATOR ZIMMER: Let me back up: I'm concerned that there's no percentage, that the sky is the limit under the way that the bill reads. You tell me that there is no intention of having a major increase between now and January. I would like to back that up with a backstop provision, continue the cap language as it is, but say, "However, in no event shall it be higher than" -- whatever you think is--

COMMISSIONER COYE: What we would probably offer in that regard would be 12% plus the 1%, which would give you 13%.

SENATOR ZIMMER: Thirteen percent.

COMMISSIONER COYE: In no regard-- In other words, if we have to come up with a number today, we might give 11.5 or 11.6 if we can run our calculations, and try and cut it closer to the bone. But, the first half of the year--

SENATOR ZIMMER: Well, almost any number would satisfy me more than no number, because we're talking about something that is a backstop to whatever you've got right now. So--

COMMISSIONER COYE: Okay, well last January was 10.9%, and I would have to assume, since uncompensated care has been increasing slowly, that we would be talking at least about 11.4%, 11.5%. I really am uncomfortable with doing a seat-of-the-pants estimate here though, because we could wind up hurting some hospitals, and some of those hospitals are ones that are well known to the members of the Committee here.

SENATOR ZIMMER: Well, ultimately, regardless of what percent you take you're going to be, as you say, hurting some hospitals if the rates continue to go up.

COMMISSIONER COYE: Well, except that I want to make sure we cover their current uncompensated care. I'm not making provision for it continuing to go up in the future.

SENATOR ZIMMER: So, you can't even give a commitment then that there will be a 13%-- You don't want to give a commitment that--

COMMISSIONER COYE: Oh, no. Thirteen I would be comfortable with, but I was reacting to what I read as some expressions that it ought to be lower. And when we get lower than that, it gets harder to estimate whether we're hurting any hospitals. If 13% is acceptable, I certainly--

SENATOR ZIMMER: Well, it isn't acceptable in itself but it's an improvement over a system -- over a language that gives us absolutely no assurance of an absolute cap--

COMMISSIONER COYE: We would accept 13% or actual plus 1% as alternatives.

SENATOR ZIMMER: I suggest that to the Committee for consideration. Now, you said that my bill would be 18% higher because of uncompensated care. But you say New Jersey is superior to other states in the percentage of its charge for uncompensated care.

COMMISSIONER COYE: No, I said it was--

SENATOR ZIMMER: Okay.

COMMISSIONER COYE: I'm sorry.

SENATOR ZIMMER: Percentage of total bills that are--

COMMISSIONER COYE: Yes. The number of people who are uninsured, and the percentage of total bills that are for people who are uninsured, is where we're much better off; only 11%.

SENATOR ZIMMER: Okay, so that's--

COMMISSIONER COYE: But, obviously, the burden borne through the hospital bill by the individual who is insured and isn't Medicare in New Jersey is higher than in other states, because we're paying for uncompensated care, and other states are not.

SENATOR ZIMMER: Now, Senator McNamara said that this is a system that is essentially socialized insurance. I think

that he is not correct in that. I think it's worse than socialized insurance, because at least with a socialized system you have the general tax base covering the cost of a program. What is the annual cost of uncompensated care?

COMMISSIONER COYE: It was \$450 million in 1988, and probably \$500 million in 1989.

SENATOR ZIMMER: So, half a million (sic) dollars, and I would call this a tax -- because it's not a payment per service that's received by the person who is paying it. And whereas-- And it is not a tax that is paid on the basis of ability to pay. It's paid on the basis of how much in medical bills you run up or your employee runs up, and that doesn't seem to me an equitable basis for collecting a tax.

I don't know whether you've done any studies on the progressivity or the regressivity of that tax impact. But assuming, as I do, that employee benefits actually ultimately come out of the employees' pockets in the form of lower wages or lower benefits for other purposes, it seems to me a really haphazard and unjust way to collect a tax.

Now, you had said that it is virtually as broad based as general revenues, and that's something I'd like to pursue.

COMMISSIONER COYE: Would you like an answer on the progressivity--

SENATOR ZIMMER: Oh, sure.

COMMISSIONER COYE: --aspect before we go to that?

SENATOR ZIMMER: Yes.

COMMISSIONER COYE: I would say the only real guess at that that we could take, is that we do know that the people who don't have health insurance, by and large, earn a lot less than people who have health insurance. And that people who do have more income within the insured group tend to purchase policies that have more --- that are higher cost and that have more bells and whistles on them.

But the people who are uninsured, even if they're employed, have lower incomes than those who are insured, by and large. So there is a rough two-step progressivity to it in a sense that if you're really poor, you probably don't have health insurance, and therefore you're not paying for it. And if you are well enough off to have insurance, you're paying for it and that there is a correlation with your economics with the income.

It's not progressive in a detailed step-wise form as at least the tax system is designed to be.

SENATOR ZIMMER: Well, if you have no health insurance and you have some assets--

COMMISSIONER COYE: Then you're tapped into-- You don't get paid for by uncompensated care.

SENATOR ZIMMER: Right. But you are paying the bill. I'm not talking the progressivity of the benefits, which obviously go to the poor disproportionately. I'm talking about the progressivity of the payments.

COMMISSIONER COYE: Very, very few people pay individually their hospital bills -- less than 5%. So most people are paying in their insurance premiums. You know, most of us have health insurance and are paying through their premiums.

SENATOR ZIMMER: Have you done a study on the progressivity of it beyond just the broad--

COMMISSIONER COYE: No, there's a national-- It would be very hard for us to get the State data. There's national data that we can use to approximate it. We can supply that for you.

SENATOR ZIMMER: Well, I'd like to see that. I don't think that it-- Just from my intuitive feeling, I don't think that it's comparable to the progressivity and the equitability of our general tax system.

For instance, what percent-- You kept mentioning that a lot of these payments are made by out-of-state employers. What percentage of the \$500 million-- What percentage of the total uncompensated care bill comes from out-of-state sources?

COMMISSIONER COYE: As much as 10% to 12% of the Uncompensated Care Trust Fund revenues come from out-of-state employees or employers. So, it's a pretty substantial amount.

SENATOR ZIMMER: Out-of-state what?

COMMISSIONER COYE: Employees and employers. Christine Grant may be able to give you more details on it.

DEPUTY COMMISSIONER GRANT: Essentially, when a New Jersey resident works in New York and is covered, let's say, for example, by Blue Cross -- Empire Blue Cross of New York -- goes into a New Jersey hospital, Empire Blue Cross out-of-state insurance company pays our total hospital bill, which in New Jersey includes the cost of uncompensated care. We have estimated that as many as 10% to 12% -- given our New York/Philadelphia corridor -- of New Jersey residents work out-of-state, and are covered by out-of-state employers. Those out-of-state insurers who, in turn, cover people all over the country, help New Jersey pay for uncompensated care.

Equally important is the Federal government, because Medicaid in another state for uncompensated care, is hidden in a hospital bill and shifted only onto a Blue Cross or a commercial in a surrounding state. The Federal government would not share as a partner in its payment of its 50% of a Medicaid bill and pay for uncompensated care.

In New Jersey, if a Medicaid beneficiary goes into the hospital, pays the same cost as a privately covered person, pays for his or her hospital care through his Medicaid entitlement, half of that uncompensated care add-on is paid by the Federal government. Absent a Trust Fund concept, you would not have the Federal government paying what could be between \$40 to \$50 million a year for uncompensated care.

Thirdly, and this has been tested in other states, we have a growing number of self-insured companies in-state and out-of-state. They are, through ERISA, exempt from direct taxation. However, under the Trust Fund concept when they pay a bill, that add-on for uncompensated care can appropriately be charged to them; it is not considered a tax. Where you tax directly the growing number of self-insured companies, they would be exempt from that tax and would not pay at all for uncomp care. So those are three sources--

SENATOR ZIMMER: I don't understand the last one. What tax are you talking about?

DEPUTY COMMISSIONER GRANT: There is case law which would preclude self-insured companies. For example, in New York, about a year ago, they tried to tax directly Medicare and self-insured companies through a different device to pay for their uncompensated care. You are not allowed to tax self-insured companies directly.

SENATOR ZIMMER: But that doesn't affect my analysis. The out-of-state number is an impressive one. Where did you get 10% to 12%?

DEPUTY COMMISSIONER GRANT: We have to figure out by place of residence the number of people using the hospital per year in New Jersey. And assuming that, we know what Empire Blue--

SENATOR ZIMMER: You don't have direct data?

DEPUTY COMMISSIONER GRANT: Well, we could-- Yes, we could find out by-- We know by type of insurers, by the HMO, by the private insurer coverage the proxy of how many of those commercial insurance companies are out-of-state companies.

SENATOR ZIMMER: Could you-- What percentage of State income tax returns are filed by out-of-state employees -- people who work out-of-state? Don't you think that would give you a rough estimate?

DEPUTY COMMISSIONER GRANT: I don't have any idea. I don't know--

SENATOR ZIMMER: I think-- I don't know whether it's 10% or 12%. I would like to know, for instance, what-- I would think at least 10% to 12% of our General Fund comes from out-of-state sources, when you consider the gasoline tax, you consider sales tax, and, of course, income tax from people who who work in New Jersey, who live outside of New Jersey.

DEPUTY COMMISSIONER GRANT: We can certainly get the information. Traditionally, we have thought of New Jersey residents as tending to go into New York and Philadelphia more than the other way around. That may be changing, and we can certainly ask that question of our taxation people.

SENATOR ZIMMER: The three-- One final point: You're saying Medicaid pays \$40 to \$50 million. That's not affected at all by the waiver?

DEPUTY COMMISSIONER GRANT: What I was explaining-- I said the Federal share of Medicaid's add-on -- that's the Federal Medicaid-- Is that affected by the waiver? Medicaid has certain constraints it must live under, but it is our expectation that they will continue to participate as a payer and a rate-setting commission post December '89. They participate under a separate State plan, not the Federal Medicare waiver. They have to qualify, and we know they are intending to do so.

SENATOR ZIMMER: What sort of incentives for efficiency and for effective collection of bad debts and the minimization of the kinds of expenses that would be paid for by this Trust Fund are built into the current system? You mention that there's some financial and audit requirements that are going to be strengthened.

Well, the first part of the question is, is there anything in this legislation that isn't being required right now by regulation in the area of audit and financial requirements?

COMMISSIONER COYE: There is nothing specific that's required in here. What it's doing is establishing the Statutory Audit Committee. We are working with the informally constituted Audit Committee of the current Trust Fund Advisory Committee, but it would put new members on that who have different kinds of expertise, to help us in becoming more stringent. We have -- as is detailed in a lot of the testimony I didn't read in detail -- undertaken a number of steps to become more stringent, and some of those have been passed now by the Health Care Administration Board.

SENATOR ZIMMER: So that-- Okay, well what is--

COMMISSIONER COYE: Excuse me, I just want to correct myself. There is, under section c, it seems to me 19c. a long list of what the criteria will be. Much of this exists in regulation now, but some of it is more stringent.

SENATOR ZIMMER: Okay. Obviously I'm concerned that if you have a system where uncompensated care is paid for out of a general trust fund there will be no real incentive to minimize the amount that each hospital contributes to that obligation. How will you reward hospitals for efficiencies? And obviously you penalize them for inefficiencies.

COMMISSIONER COYE: I think under the side of reward, we don't have any specific rewards built in right now, except that, for example, when Jersey City finally went down under their cap, they were getting, finally, full reimbursement for their uncompensated care costs. I'm not sure what we appropriately should put in as rewards, but we certainly would entertain that idea.

We have been concentrating more on very strict audit penalties because, frankly, our feeling is that once we've defined something that ought to be done, everybody ought to do it. And, for example, the Jersey City experiment with hiring Medicaid workers-- We're going to be trying to implement that in a number of hospitals, and if a hospital is not interested

in complying with our suggestion, I think we could take them before the Rate Setting Commission and essentially cause them to do it.

SENATOR ZIMMER: It troubles me that you've got to force these hospitals to do it, because it's not in their own financial interest, and it leads me to believe there are a lot of other inefficiencies that may be undiscovered or unpursued.

COMMISSIONER COYE: There is one -- and actually not being a hospital administrator is probably why it took me 10 minutes to come up with this answer -- but there is a very clear and obvious reason why it's to their advantage, and that is that it's a very delayed process to go about collecting from the Trust Fund. In other words, the interest for the hospital is getting their billings, their receivables, as fast as possible.

If they can actually get someone's money either through their insurance system or through getting them enrolled in Medicaid or whatever, they're a lot better off than waiting, maybe three, four, five months just to go through the process to clear them as an Uncompensated Care Trust Fund patient, and then go through the process of getting reimbursed for it. So there is a clear financial incentive for the hospital.

SENATOR ZIMMER: Well, it may not compare to the burden of actually chasing down a deadbeat. Thank you very much, Mr. Chairman. Thank you, Commissioner.

SENATOR WEISS: Thank you very much, Senator. I have Senator Brown.

SENATOR BROWN: Thank you, Mr. Chairman. It's rarely that I've heard so many of my colleagues refer to a bill and use the term "major public policy" issue, and I think that is what we're trying to get across this morning with real urgency. And I am going to be one, Commissioner, who is going to vote for cutting down the time frame for which we want a report, because there are major, major problems out there.

Following through, do you have any idea of what the uncompensated care was for 1986-'87? You mentioned that it will be half a billion next year.

COMMISSIONER COYE: In '87 it was about 400 or 350. We'll get that data for you. We don't have the numbers right here. It's been steadily rising because, as you understand, hospital inflation is steadily rising.

SENATOR BROWN: Yeah. You think maybe something like 350 million for '88?

COMMISSIONER COYE: Six or seven -- weren't we saying '87 -- '87?

SENATOR BROWN: And then for '86, it would be even less?

COMMISSIONER COYE: Presumably, yes.

SENATOR BROWN: See, I think your estimates of how much it will increase are low, because we've talked a lot about percentages here today, and we have not verbalized how much Blue Cross/Blue Shield's bill is that comes into our constituents' homes, where industry is not paying any of the freight. And those figures -- you know, am I right? -- 2600, 2800, 2900 per year.

COMMISSIONER COYE: I'm sorry. I think that there is confusion -- sort of apples and oranges. The rise from 350 to 400 to 450 is absolute amounts of money, and that is going up primarily because of inflation and hospital bills, whether you're uncompensated care or not.

The percentage of all hospital bills which are for people who are uninsured has slowly been going up, but nothing like that percentage. And so, the 400, 450 is primarily going up simply because the cost of hospital care is going up, not because the number of people who are uninsured is going up that rapidly.

And so when we're talking about an estimate of how fast it's going to go up in the future, we're capping it at a

percent -- 1% above the January '89 level. We're not capping it in absolute money, because if hospital bills per patient go up, uncompensated care will keep going up.

SENATOR BROWN: I agree we've got two different issues here, and I agree with you the costs are rising, period, which is a concern to all of us. I'm sure that we will be hearing from Blue Cross/Blue Shield again about how much people are paying. And you suggest the private payer is going to be one, you know, of your people that you're looking for to help, you know, finance the Trust Fund. So, I think how much the person is paying who is not subsidized by the private sector at all is a relevant situation to be discussing, and I'm certainly looking forward to hearing the numbers that will be coming from Blue Cross/Blue Shield.

But, my office was besieged this summer when a retired person said, "Hey, you know, my bill is going -- annual bill is going from \$2600 to \$2800 to \$2900." These numbers, I think, are going to make some of the discussion that we have had in the State of New Jersey about automobile insurance look like very small potatoes when you start, you know, really giving these figures.

And my concluding concern is that I think as a society we have been expecting the private sector to underwrite more of our health care costs than is done in other industrialized nations. And I hear the Business and Industry Association when they say, very clearly, that we are not going to be competitive with other nations as far as businesses, if they are paying a disproportionate share of the health care freight.

So, it has reached the point that this is of real concern to at least one or two or three or four elected officials up here, and when we say that we need to have some answers quicker than a four-year period, I think it's a reasonable request.

COMMISSIONER COYE: First of all, let me start out by saying, I just got appointed to the Blue Cross Commission that's trying to look at what's going to happen with individual insurance under Blue Cross. And there's no question -- no matter whether you're acting on the Blue Cross Commission or as Health Commissioner, or Insurance Commissioner, or as a legislator, or as any kind of a community concerned person on this issue -- that health care costs are going up remarkably fast and that everybody right now is trying to figure out ways to constrain them.

And I sympathize with and support that, and the action, for example, that I took recently to request the Rate Setting Commission not to give a further across-the-board raise to hospitals, I think, is evidence of our general concern about the rising costs and the desire to try and scrutinize those carefully.

What I'm concerned about is if we, in attempting to constrain those cost rises, differentially penalize people who can't afford health insurance, and that has to do-- That could be financed in many different ways.

We don't have the capacity within our staff to calculate what general revenues cost for the 91% of the population that would be affected by that, versus the cost of the \$40 to \$60 added to health insurance premiums for the 89% that are insured. My impression is that this is not a major difference. And that was our impression after the Trust Fund Advisory Committee had completed its work.

That is still very much, obviously, something that is continuing to be debated on the Federal level, too. And I think it's important to realize, though, that when you look at Western European nations that have a general revenue insurance approach -- financing approach for their insurance, their taxes are an awful lot higher than our taxes are, and we're talking about shifting \$450 or \$500 million onto general revenues. And that's a fairly large chunk.

SENATOR BROWN: Well, again, I think that this is a public policy question and it should at least be posed, rather than playing fun and games that we can keep this Band-Aid -- which is what this bill is before us today, a Band-Aid; albeit a creative Band Aid -- and there's some point where we're going to have to bite the bullet.

Do you have the Ombudsman for the Institutionalized Elderly involved in any of your committees or studies?

COMMISSIONER COYE: No, because we have the Public Advocate. He addresses the-- The Ombudsman addresses nursing home care primarily and does not-- I've met with him, and he's been quite explicit that he's been involved in the acute hospital care, which is what the Trust Fund touches on. But the Public Advocate plays a similar role and is very, very active, including on the Trust Fund Advisory Committee.

SENATOR BROWN: Well, may I suggest that there -- with all due respect -- is a relationship there with directives that come out of the Ombudsman Office that does bear on this whole question of cost in hospitals, and so on. So I don't know how you can best institutionalize the linkage there, but we're talking some major questions, and I think all players who think governments are involved in health care ought to at least be talking to each other.

My last question is, your 850,000 figure of New Jersey residents really does seem low. Does that include all the children, or are you just doing adults?

COMMISSIONER COYE: No, that's children as well.

SENATOR BROWN: Thank you.

SENATOR WEISS: Thank you, Senator Brown. Commissioner, doesn't this work down to a formula?

COMMISSIONER COYE: I'm sorry?

SENATOR WEISS: Doesn't this really work down to a formula -- all these numbers we're kicking back and forth? They don't really mean anything unless you understand the

formulas. The formula is a two-part formula, is it not? One part of it would have -- would include the total revenue including Medicare, and the second part of the formula would exclude Medicare. And you use one to get a ratio to get into the other. You're talking about 13% in one instance, but actually if you take Medicare out in the second instance, you're no longer looking at 13%. You're now looking at double the 13% because half your expenses come out of Medicare, so we're talking about a 26% increase. We're not talking about that 13% anymore only because now you're taking--

COMMISSIONER COYE: No, there's--

SENATOR WEISS: Then you have an add-on.

COMMISSIONER COYE: No, I'm sorry. I was agreeing with you up until the last point that you made. What we would be talking about is only 1% on the total. So that, if the total is 18% or 19%, whatever it would be on January 1, and then 1% on top of that, not double 1%.

SENATOR WEISS: I don't think I'm working on double 1%. I'm cutting the revenue in half, which raises the percentage. If you've got 100-- If your original revenue including Medicare was \$100, right, and you excluded it in the second part of the formula, you'd have \$50, but you'd still only have a 13%, or \$13 in uncompensated cap, which would double with half the amount of money.

COMMISSIONER COYE: We're-- I think my impression is that we're about 18% or 19% now and the effective add-on--

SENATOR WEISS: Well the--

COMMISSIONER COYE: We're talking about going positive--

SENATOR WEISS: Yeah, but you see, originally when you tried to sell the program, you said it wasn't going to go up any more than 1%, and I questioned you earlier, and I said, "Isn't it going to go higher, about 19 or 20 or 21?"

COMMISSIONER COYE: No, I'm sorry. There's something that's very important here that I have to clear up. This is not a rise that would happen at the end of this year of 10%, 11%, 12% up to 18%, 19%, 20%. This is a shift that has already happened. This is not a-- You're saying to me, "Didn't you tell me that this wasn't going to be a rise?"

It isn't a rise. That shift has already happened; the payers are already paying the 18% roughly. The only further moneys that are -- would be applied even in this bill is the final 25 million of the Medicare shift on January 1. That's the reason why the date January 1 was chosen, because that's when the waiver ends, and we want to get the last little piece of Medicare that hasn't been shifted in.

SENATOR WEISS: I understand what you're saying. At least I think I do. But you're the person in control of raising the cost -- the uncompensated cost -- and you're also the person in charge of raising the base and other revenues that come in, either up or down.

COMMISSIONER COYE: No, I--

SENATOR WEISS: So, you control.

COMMISSIONER COYE: No, the Hospital Rate Setting Commission controls.

SENATOR WEISS: Okay, they control. But somebody talks to them.

COMMISSIONER COYE: Not always successfully, I might point out.

SENATOR WEISS: Well, possibly not. But, I think that all the argument here today, and all the debate back and forth on this surly argument is because the formula seems to be, well, not quite complicated, but not clear either, and it just occurred to us here before that the formula is really a two-part formula, one working on the other. And I think that you folks are only addressing half that formula.

COMMISSIONER COYE: I think that we can, you know, address the concern that you're talking about in terms of clarifying the first part and second part of the add-on.

The reason I think that Senator Codey put the 1% cap in there, is so that I could not in the future go to the Rate Setting Commission-- I'm sorry.

SENATOR WEISS: Yeah, but what-- He put a 1% cap in it, but if you raise the revenue or the charges between where they are and the 1%-- No, let me reword that: You have leeway between the two figures, the 1% cap and the charges. You can do anything you want in there.

COMMISSIONER COYE: Are you saying, because I can allow hospitals to raise their general reimbursement?

SENATOR WEISS: However that works out, yes.

COMMISSIONER COYE: But, I would argue that if the State system, which is my recommendation to the Hospital Rate Setting Commission, but they also, obviously, make decisions in different ways-- If they decide that the cost for caring for a patient in the State is "X," that the uncompensated care patient should also be reimbursed at that same amount-- In other words, there's nothing in this bill that authorizes me, after that 1% cap is reached, to increase the reimbursement for uncompensated care patients beyond what the reimbursement would be for any patient in the system.

SENATOR WEISS: I think the thing that drives us is two things: One is the uncompensated cost, and the other one is the revenue that comes in. I think that those two trigger the mechanism which are raising the base, which are raising your percentage.

COMMISSIONER COYE: Could I suggest a different way of--

SENATOR WEISS: You may suggest anything you like. I'm willing to listen.

COMMISSIONER COYE: Okay. There are--

SENATOR WEISS: But you have to make it clear.

COMMISSIONER COYE: Yeah, I know. That's what I'm trying to work on. There are two ways in which the cost of uncompensated care could go up in the future. One is because the proportion of people who don't have health insurance goes up, which is what the 1% cap deals with. It says you can't have that proportion go up higher than 1% over the proportion January 1, and then there is an increase in the uncompensated care cost, because the costs of care for everybody are going up -- the absolute costs per patient for a DRG. There is nothing in this bill that-- You're quite correct. There is nothing in this bill that addresses that second issue, because our attitude has been that an uncompensated care patient ought to be paid for. I mean, if they have an appendectomy, it should be paid for just the same as a person who has health insurance.

SENATOR WEISS: Well, I don't think any-- I don't think that anyone agrees with your last statement, that that should really happen. The part that I was having a problem with was the second part of the formula, because I didn't look at it as being 13%, the number you indicated. I looked at it as being doubled because you have to take the-- I felt at least you had to exclude Medicare.

COMMISSIONER COYE: Yeah. Right, so--

SENATOR WEISS: That doubles the number.

COMMISSIONER COYE: Yeah, I just wouldn't double the 13%, because that has the 1% add-on.

SENATOR WEISS: Well, what do you want me to do, make seven-and-a-half? Six-and-a-half? (laughter)

COMMISSIONER COYE: I'm sure I don't. I don't know why you're saying this. No, if we took, like 11%, it's not quite doubling because Medicare is about between 40% to 45%. But if we did the--

SENATOR WEISS: Well, for this exercise it's okay.

COMMISSIONER COYE: Okay.

SENATOR WEISS: We're not talking about exact figures.

COMMISSIONER COYE: Okay.

SENATOR WEISS: We're talking about a system.

COMMISSIONER COYE: Then say 21%, 22%. Put a 1% cap on that.

SENATOR WEISS: So, you're up to 22 or 23.

COMMISSIONER COYE: Yeah, but that's a shift that has already occurred. That's the point we keep trying to stress; that this has already happened and that you have Prudential and, you know--

SENATOR WEISS: I understand. But when you mention that 1% a year and you say 13% -- that was the number I think we used before -- it leaves some doubt in the minds of the Committee members as to where we really are. Sometimes numbers are easier to follow when they flow, and I'll want to tell you, they haven't flowed this morning.

COMMISSIONER COYE: Well, if there's anything--

SENATOR WEISS: Except they try to upstream, and so it's got us in a position where, at least, some of us are a little concerned about what these numbers are. But we can address the second part of the formula so all of us understand.

COMMISSIONER COYE: Anything we can do-- I don't sense that there is a disagreement, but if there is anything we can do additionally to explain it or make it clear, we will be glad to try. And if you want to recast the language to make it more explicit, we will be supportive of that, too.

SENATOR WEISS: All right.

COMMISSIONER COYE: If there's any further information we can give you on that--

SENATOR WEISS: Well, let me work on that and in the meantime I'll let Senator Ewing ask his questions, if he's not going to be, like, three hours.

SENATOR EWING: Thank you, Mr. Chairman. Commissioner, Blue Cross/Blue Shield says, "It is our opinion that if the cost of uncompensated care is to be allocated fairly, then the public policymakers should be willing to consider funding at least a portion of the cost of uncompensated care through general revenue. Without such a policy the cost of uncompensated care is not equitably distributed among all New Jerseyans." Is that true? Are they carrying a bigger share?

COMMISSIONER COYE: I don't think Blue Cross is carrying a bigger share than the other payers. I think that the discussion we had where we were comparing that 89% of all people having health insurance in New Jersey with about 91% of all people paying taxes, is the best answer we can give; that it's a roughly comparable breadth of sharing the responsibility. In terms of people who presumably pay taxes who are escaping this system, you're talking about the 40% of the uninsured who have jobs, that Senator Rice was referring to earlier. Some proportion of them presumably earn enough money that they might pay into the tax base, and that might be your difference between 89% and 91%. But you're talking about a relatively small difference.

SENATOR EWING: Have they come to you before on this and said it's unfair what's happening now with Blue Cross and Blue Shield and the burden they have now?

COMMISSIONER COYE: Blue Cross hasn't made a formal petition, but they've certainly expressed their point of view, and they participated actively in all of our discussions. Their attitude, however, has been that they would like general revenues -- as Business and Industry has also expressed their opinion, that they would like general revenues to be the funding basis for the program. But that if that is not achieved, they want to make sure that there is as much equity among the payers-- In other words, that all the insurance companies pay as close to the same proportion as possible.

SENATOR EWING: They're not paying the same proportions now?

COMMISSIONER COYE: No, they are, but they want to make sure that's maintained.

SENATOR EWING: Oh, I see. Okay.

COMMISSIONER COYE: Actually, Blue Cross gets a break because of their community rated system.

SENATOR EWING: How many hospitals are there in New Jersey, totally, that come under uncompensated care? Don't all hospitals have some--

COMMISSIONER COYE: Eighty-eight hospitals. And roughly a third of them get moneys from the Trust Fund. In other words, they have more than the statewide average -- significantly more than the statewide average in terms of numbers of uncompensated care patients.

SENATOR EWING: So that's approximately-- Let's say roughly 30. And how many of those 30 have you done this audit one as you did -- was it Jersey City?

COMMISSIONER COYE: Every hospital is audited every year.

SENATOR EWING: Well, why did Jersey City suddenly come up with \$5 million more or something?

COMMISSIONER COYE: Because--

SENATOR EWING: I guess I didn't understand that point.

COMMISSIONER COYE: Yeah. It was a new program that we asked them to institute. The auditing is to make sure that all the hospitals comply with current regulations of how well they figure out if someone can pay or not. What we did with Jersey City is say, "You're doing as well as the regulations say you have to with regard to making sure people are eligible for Medicaid, when they have to go down to the Medicaid office to get eligible. What about hiring someone from Medicaid to be based in your intake system so that they can enroll people just as they come to the hospital?"

It took quite awhile to make those arrangements, but they finally were made. And it's been so successful that we're now working with the other hospitals that have high uncomp care burdens in order to do the same thing there.

SENATOR EWING: Well, how soon will those other people be in place in the other hospital?

COMMISSIONER COYE: Within a couple of months. This is not a--

SENATOR EWING: Well, I would like to--

COMMISSIONER COYE: Yeah, UMDNJ and other hospitals are looking into it. Yeah.

SENATOR EWING: Well, I'd like to have a report then for the Appropriations Committee, when you come before it to give us a report, and give us the name of the person and what hospital they're working in--

COMMISSIONER COYE: I'd be very glad to.

SENATOR EWING: --and just see. And then let us know which hospitals are not cooperating with you. Are there hospitals now that are not cooperating with you?

COMMISSIONER COYE: It's not a problem so much of the hospitals not cooperating with some patients; it's the difficulty of making arrangements with Medicaid as well.

SENATOR EWING: What would be the problem there?

DEPUTY COMMISSIONER GRANT: People are determined to be eligible for Medicaid through the local welfare boards -- Medicaid contracts with local welfare boards. So it's really not within the hospital's control to insist that a staff person is assigned at the hospital. It requires a process of negotiation to explain that it's to everyone's benefit perhaps to have local workers posted at a hospital. So there's more than one party here. The hospitals, for the large part, are very anxious to have Medicaid personnel or general assistance personnel on-site where it makes sense to have them.

SENATOR EWING: Well, where's the slowdown right now; with what hospitals? Can we get a list of those that are not being put in place fairly quickly?

COMMISSIONER COYE: We can provide all that information.

SENATOR EWING: It would be interesting to see. Maybe we could help out in some of those cities, because this is ridiculous.

COMMISSIONER COYE: We would appreciate that help very much. Yes, this has been something we have been strongly supporting.

SENATOR EWING: The other question-- I see that the bill is requiring the college students to have health insurance while in school. Are there a great number of students who go under our uncompensated care, who are not on the family insurance plan?

COMMISSIONER COYE: There are about an estimated 50,000 students who currently are enrolled and would be affected by this proposal. The young people under the age of 25 represent about a quarter of all uncompensated care. They represent a substantial proportion, because it's the kind of thing like traffic accidents where people are very expensive -- laid up for a long time. They're young and they think they're immortal, so they don't get health insurance.

So, part of this is designed not only to bring down uncompensated care costs in the short run by getting these people insured, but also designed to try to make sure that they develop a habit of having health insurance, because once people buy health insurance, they're more likely to keep it for the rest of their lives.

SENATOR EWING: If they can afford it.

COMMISSIONER COYE: Yes.

SENATOR EWING: But are the majority of the students on a family plan or not, or are many of the students not, because their parents aren't working at all?

COMMISSIONER COYE: Unfortunately, a number of them -- a fairly high proportion of them -- anecdotically are reported not to be on family plans. And so if they are on family plans, they would be excused from this provision. They don't have to have double insurance.

SENATOR EWING: Yeah, right. But there are that many that are not on family plans?

COMMISSIONER COYE: Anecdotically, that's what we've learned.

SENATOR EWING: Well, should they be signing up for Medicare?

COMMISSIONER COYE: I'm sorry?

SENATOR EWING: What does Medicare start at, 60?

DEPUTY COMMISSIONER GRANT: Right. That would not be likely for college students, no. The college student enrollment-- The goal of this would be to have them purchase relatively low-cost private insurance plans or to make sure they are covered under their parents' plan. Some of those plans are pushing back the age. It used to be 23, quite typically. Now a number of plans are pushing the age back earlier to 19. So we have an issue that's a growing issue, that we're trying to nip in the bud.

SENATOR EWING: Well, when they make the audit of the hospitals, are they going back on those students also who have uncompensated care to see if their families can afford to pay for it?

COMMISSIONER COYE: I think that the collection procedures do look to see if that person is covered currently by any health insurance plan.

DEPUTY COMMISSIONER GRANT: Well, quite specifically, when the person reaches the age of maturity, there would be an issue as to whether the parent is or is not liable. If the person is covered -- still a minor -- they are required to go to the guardian or parent and seek payment.

SENATOR EWING: Well, is there anything about a person who reaches maturity and their family is still paying their full tuition and everything? Aren't they still responsible?

COMMISSIONER COYE: I don't think they're legally responsible for the medical debts of their children. One of the things that the Blue Cross Commission that I mentioned is looking at, is the idea of whether there are categories of people, additional categories of -- people you could require to be covered to extensions of group plans and all.

SENATOR EWING: I wonder if something could be worked out whereby a student going to college, the family would be responsible; I mean, those who have the means, regardless of the child reaching maturity.

COMMISSIONER COYE: That's one of the things I think we'll be looking at in the Blue Cross Commission.

SENATOR EWING: Blue Cross will be looking at, you think?

COMMISSIONER COYE: Well, in this Commission, which is to look at the Blue Cross plans.

SENATOR RICE: Senator Ewing-- Mr. Chairman?

SENATOR WEISS: Yeah, go ahead.

SENATOR RICE: Senator Ewing, you raised an interesting question about the number of students, and I believe the number was 50,000. Commissioner, does that number 50,000 include foreign students?

SENATOR EWING: Yes.

SENATOR RICE: Well, see, the concern I have with that, and I'm not saying that anyone should go uncovered -- but I think The Star-Ledger, or one of the papers I looked at recently, depicted that almost 50% of the students in our institutions in this State are foreign students.

Now, I'm not saying they should be denied, but it raised two issues: Number one, what happened to our students in New Jersey? We had come to classroom space, and suddenly we

have to maybe mold them. But the other concern I have, is that maybe when we look at that formula-- You know, I don't know how foreign students get here; basically what do their governments pay for, what do their parents pay for, and what responsibilities does the State have?

But when you're talking 50,000 students and you recognize that someplace in the area of 45% to 50% of the students in our institutions are foreign students, I think it's an area we need to take a look at, to see if, in fact, we could get some relief in those areas from foreign governments maybe, or foreign families maybe.

Keep in mind that a lot of foreign students come from the top of the cream of the crop of their country. So, I just wanted to raise that, because I remembered seeing that article very recently that we have a lot of foreign students who would be covered by this, not that they shouldn't be. The question is who should pay, how much, what percentages, etc.

COMMISSIONER COYE: Under the provision in this bill, the foreign students would be required to pay the cost of their health insurance, whereas now they are being covered. If they don't have health insurance, they could be covered for free without any way of tapping into their financial resources. So this bill would help in making sure that they or their families or their foreign governments pay the cost of their health insurance.

SENATOR RICE: Do we know what percentage of the 50,000 that would be, because that certainly affects the impact? That would make a difference.

COMMISSIONER COYE: We could find out from Chancellor Hollander. We don't have the figure, but we could find out, and we'd be glad to try.

SENATOR RICE: Through the Chair, could we request that, Mr. Chairman? Thank you.

SENATOR WEISS: Senator Rice. Senator Ewing?

SENATOR EWING: Another question I want to ask the Commissioner-- I'm almost finished. Are you getting hungry?

SENATOR WEISS: No. I don't eat lunch.

SENATOR EWING: What is the difference between non-emergent patients? Why should they be given a lower rate in the emergency room than emergency patients?

COMMISSIONER COYE: If you think of the emergency room as the place where people come when they've got broken limbs, or a kid who's got a bad asthma attack, that's unfortunately, in many cases, not the majority of the people that come to the emergency room. A lot of the people who come to an emergency room are people whose private physician doesn't have office hours in the evening, and they don't have an emergency. They have a cold, but they were busy during the day and couldn't get to the doctor, so they come to the emergency room at night. Taking care of that patient doesn't cost as much as taking care of the emergency patient, so all we're doing is suggesting that it should be appropriately priced.

SENATOR EWING: The final thing is that on the amendment that Senator McNamara has offered, which I am going to support, I'd also like to include in that amendment that the body being given the two years have to give an interim report to the Legislature and the government after 12 months, to see if they really are doing anything, and not wait for the end of two years to see they--

SENATOR WEISS: Senator Ewing, I think there is a reporting period in the amendment of Senator McNamara.

SENATOR EWING: Okay. He hadn't told me there was. He took it from me. I suggested it to him, so I guess he went-- (laughter)

SENATOR WEISS: Okay, we'll make it your amendment to his amendment to his bill.

SENATOR EWING: Thank you. Thank you, Commissioner.

SENATOR WEISS: Thank you. It's 25 to one. Be back in one hour, please -- 25 to two.

SENATOR STOCKMAN: Mr. Chairman, could I have just a quick question before we break?

SENATOR WEISS: A real fast one, Senator.

SENATOR STOCKMAN: I'll try--

SENATOR WEISS: I know you sat there all morning, but I want to get done.

SENATOR STOCKMAN: Well, I just-- Commissioner, there seems to be a lot of expression of uncertainty about this Trust Fund, and maybe alternate approaches that should be taken. If this Committee were to reach a bipartisan consensus for a bill that would fund these needed services through the General Treasury, would you be adamantly opposed to that kind of approach?

COMMISSIONER COYE: I wouldn't be adamantly opposed except for one important reason. And that is, that the most important thing to me besides getting money for paying for indigent patients, is that it be a stable funding source. So, if it were some kind of a dedicated fund, I would agree. See, the thing about this mechanism is that you're assured every year you will have the money you need. If it's general appropriations-- If you look at New York's legislature, and in Pennsylvania where they're paying \$500 million, \$700 million, it fluctuates in many years. Most years they pay less than the full amount and the hospitals discriminate.

SENATOR STOCKMAN: Well, I was really asking the question tongue-in-cheek, because I'm not sure you're going to find bipartisan support for a significant appropriation of general revenue to this cost. But at least-- Thank you very much. Thank you, Mr. Chairman.

SENATOR WEISS: Thank you, Senator.

COMMISSIONER COYE: Sorry, I took you seriously.

SENATOR STOCKMAN: That's all right. It was a little serious. (laughter)

SENATOR WEISS: Jerry, I'd examine that last statement if I were you. One hour, please. Thank you. We'll be in recess.

(RECESS)

AFTER RECESS:

SENATOR WEISS: Will the members please take their seats? There are a number of people here who would like to testify on Senate Bill No. 2981. I don't think the Department is ready yet, but we will take your testimony in the interim, so let me try. Mr. Kurtz? Lester, it says "modification." I know what the word means, but is it modification for or modification against? You put it dead center. It was hard to work it out.

LESTER KURTZ: Good afternoon. Before I get into our remarks, let me sort of explain the reasons for our concern for this particular legislation. Over the past three years, uncompensated care overall has risen 60% from the figure or amount of uncompensated care provided in 1986 to the projected uncompensated care that will be provided in 1989. It's anticipated that there will be an increase in costs of 60%.

No attempt, or very little attempt, has been made to keep this cost or this rise in perspective, when the cost of living has gone up in this period to no more than 12% to 15% at the highest. Yet, uncompensated care is projected to rise 60%.

Another concern is that on the cost-- New Jersey Business and Industry Association represents the largest block of buyers of health insurance in the State, and that's where we're coming from. To this group, to the buyers of health insurance, the cost is projected to increase 300% by the end of 1989. And I urge you to look at the figures. The buyers paid approximately 100 -- contributed towards uncompensated care in

1986 about 164 to 168 million. In 1989, it's anticipated that they will contribute over 500 million. That represents an increase of approximately 300%, and that's where our costs -- our concerns are coming from. We urge this Committee to address those figures.

Now, members of the Committee, this bill is being considered here today because two years ago the Legislature and specifically, I believe, this Committee, the Senate, declined to approve a permanent Trust Fund and an add-on concept. What they did was sunset it after two years, and instead, the Legislature directed the Department of Health to undertake a two-year study of alternatives to a permanent funding mechanism.

Basically, S-2981 appears to be the Department of Health's conclusion and recommendation that there is only one way to fund a public policy that guarantees access to quality hospital care for all citizens and insures that all hospitals are fully reimbursed for that care: The buyers of health insurance must pay for it. That's the concept that the Department of Health wants this Committee, this Legislature, to accept.

By promoting S-2981, the Department of Health implies that there are no alternative methods for funding this program. New Jersey Business and Industry disagrees with that. The cost of uncompensated care should not be borne disproportionately by one segment of society, specifically the buyers of health insurance.

Alternative funding mechanisms are available to support what is essentially good public policy. The business community collectively feels that this is good public policy, but they also believe that there should be some other way to fund this program.

We submit that guaranteeing access to quality hospital care for all citizens of New Jersey is a societal goal that should be supported through a broader based funding mechanism.

We submit that the Department of Health's Trust Fund Advisory Committee, during its 18 months of deliberation -- six of which were spent in organizing -- may have overlooked a number of possible solutions. And we also submit that the Advisory Committee did suggest to the Commissioner a number of other alternatives which were rejected by the Commissioner.

During the Trust Fund Advisory Committee meetings, business representatives attempted to obtain a demographic profile of the individuals who receive hospital services and do not pay for them. Neither the Department of Health nor hospital representatives could provide that figure. One example of that is, in the testimony this morning that the new bill provides that, or mandates that all individuals attending college must have health insurance.

But the hospital-- The Department of Health could not tell us how much that would reduce uncompensated care. They had no figures. They never maintained records of how much towards uncompensated care college students did contribute. The regulations that the Department of Health provided to the hospitals require them to provide that data, but they did not. And I'm glad to see in the bill now that they have made those regulations mandatory as part of their law, so that hospitals will have to provide that information.

We urge this Committee to consider the future of uncompensated care in 1989 and beyond. Medicare will no longer be a significant contributor to the Uncompensated Care Trust Fund. Its share dropped from 46% in 1986 to approximately 6% in 1988, and perhaps zero in 1989.

The combination of increased hospital costs and the Medicare withdrawal will increase the cost of uncompensated care to the buyers -- and that's the individuals and employers who buy health insurance -- from 164 million to more than 500 million. As I said before, that's a 300% increase that we're expecting the buyers and employers to pick up, and we don't think that's right.

If the add-on concept is continued as provided in S-2981, the program will be shifted from one which essentially had four funding sources, to one which has three sources; two of which are buyers of health insurance -- individuals and employers.

NJBIA cannot accept the premise that those employers or individuals who accept the responsibility, who are paying for the health care costs, should also carry the burden of paying for the care of the uninsured indigents.

There is one further observation that must be made here today. Uncompensated care has two components: service to individuals who are unable to pay and cannot afford to pay; charity care. And the other component of uncompensated care is services provided to individuals who can afford to pay, but are unwilling to pay. The Trust Fund reimburses hospitals 100% for their charity care and 100% of their uncollectible bad debts.

There isn't a private employer or individual in the State of New Jersey who would not like to have the State reimburse them for 100% of their bad debts. Why are we treating hospitals differently? Is this the type of State policy-- What I meant to say was this is the type of State policy that has been labeled in some quarters as a "hospital bailout," because it bails the hospitals out of their uncompensated care completely. They're reimbursed 100%.

The Department of Health has estimated that 11% of New Jersey's population is uninsured, and this represents an increase of 3% over the past several years. We submit that this is because insurance costs have forced a number of self-employed individuals and senior citizens to drop their insurance or new people coming into-- New employers decline to purchase this insurance because it's so high.

In addition, many small employers who in recent years have created the bulk of new jobs in New Jersey and are struggling to remain in business, cannot afford to provide

their employees with group health insurance. As a result, a number of people who are working today don't have health insurance. Consequently, the cost burden created by the add-on for payers of health care can only be expected to increase over time.

In our opinion, to reduce the spiraling group health insurance, the present uncompensated care add-on or surcharge must be reduced and possibly eliminated. We, therefore, are making the following recommendations: That the Uncompensated Care Trust Fund and the add-on concept be extended for 18 months, and during that 18-month period, we urge that a legislative study commission should be created -- not the Department of Health's Advisory Committee -- that a legislative study commission should continue to search for viable alternative methods for funding uncompensated care which will more equitably distribute the burden. We also suggest that during this 18-month extension period, the hospital add-on or surcharge be limited to 11%. Or, as an alternative, as the bill provides, instead of 1% above the January 1, 1989 figure, make it the December 1, 1988 figure -- 1% above the December 1, 1988 figure or the December 31 figure.

Uncompensated Care Trust Fund reimbursement to hospitals should be limited to 100% of charity care and perhaps 50% of bad debts. The legislative study commission should also study the effectiveness of the audit procedures in decreasing the proportion of uncompensated care which is bad debt. Incentives, as well as penalties, should be prescribed in the regulations in order to insure--

SENATOR WEISS: Lester, if I may?

MR. KURTZ: Yes, sir?

SENATOR WEISS: Could you stick with the bill? We'll work out the rules for the study commission later on. Otherwise, we'll never get through here today.

MR. KURTZ: All right. Let me-- In concluding, then, let me make a couple of observations: Uncompensated care provided by New Jersey hospitals during the past two years is-- Approximately \$1 billion, or \$966 million, has been provided by hospitals in uncompensated care and will continue to increase unless a closer look at this is taken by the Legislature.

Not one penny in State funds has been directly allocated to reduce uncompensated care, yet this is a State public policy to provide unlimited access to hospitals for all citizens.

We also would like the Committee to understand that business feels that State funding priorities are lacking. Funds are being appropriated in the Legislature for a number of other projects, but uncompensated care is eliminated. Now, I refer to, for example, the Art Center in Newark, and the Aquarium--

SENATOR WEISS: I appreciate that. Lester, stay with the bill. Tell me what's wrong with it. I know about the Art Center. I get mail handed to me everyday on that one.

MR. KURTZ: There is a lacking of priorities within the State with funding a public policy.

SENATOR WEISS: I don't disagree with you, but--

MR. KURTZ: Also we-- As pointed out this morning, there is something lacking in the bill in that the 1% add-on is on an unknown figure, and we have a great deal of concern that that 1% might be increased on January 1 to 15%, 16%, and then we're going to go on to another 1% above that. So, those are the concerns that we would like to express.

SENATOR WEISS: On the last concern that you had, the Department is out now trying to rework those figures to give us a better handle on it, and I have to take this testimony prior to their coming back in again. I suppose they're still working on it. But in the meantime, Senator Lipman, I think, has a question for you.

SENATOR LIPMAN: Mr. Kurtz, if I understood exactly what you said, you want another study commission after this one has just--

MR. KURTZ: A legislative study commission.

SENATOR LIPMAN: A legislative study commission which perhaps may not be as expert as the one we have. But the alternative you seem to suggest is an appropriation from the State. Is that correct?

MR. KURTZ: I believe so, yes, since this is a societal problem. Uncompensated care is a problem. Society in general must bear the responsibility.

SENATOR LIPMAN: Right. Of course, you are discounting the fact that the Federal level is withdrawing and that's what brought on the problem.

MR. KURTZ: That's right.

SENATOR LIPMAN: Right. So, the State should pick it up, as I understand it.

MR. KURTZ: As an alternative. There are a number of other alternatives that can be used. As a thought, perhaps a 3% add-on to the gasoline tax might cover the uncompensated care portion, or some other excise tax could be used to make up the deficit of uncompensated care. But there are other ways that I think should be explored by a legislative study commission, as opposed to an advisory committee whose recommendations can be rejected.

SENATOR LIPMAN: I just heard something. How about an increase in the corporate business tax?

MR. KURTZ: If it's part-- I might point out, if it's part of a package. They're paying for it now. If you will eliminate uncompensated care and put the burden on the entire -- the taxpayers as well as the corporations, I think no one could argue with that. But you will get a much broader base. Right now, as of January 1, 1989, there will be three groups of people paying uncompensated care.

SENATOR LIPMAN: But that would have happened anyway, right?

MR. KURTZ: That is right. We argued that point two years ago when we were before this Committee, and that's one of the reasons why we were able to get a two-year sunset; that some other means should be explored and carefully analyzed as an alternative to the present system

SENATOR LIPMAN: Okay, that's it.

SENATOR WEISS: Thank you, Senator Lipman. Senator Stockman?

SENATOR STOCKMAN: Mr. Kurtz, your argument about this broadening of the base of taxes, in theory at least, is pretty unassailable. But don't you think considering what we're talking about that it would be irresponsible for the Legislature to allow this Trust Fund to end, or terminate, or lapse without an in-place source of funding?

MR. KURTZ: We agree.

SENATOR STOCKMAN: So, any move or amendment, for instance, to bring this fund, which has worked -- albeit maybe with some of the criticisms that we've heard to date -- ought to include a requirement that there be in place an alternate funding mechanism, rather than to put these hospitals back into jeopardy of the kind of risk that they would face if this program just lapsed. Whatever modification or change we design, shouldn't it be structured so as to require that the State have in place at the time of this sunset an existing plan?

MR. KURTZ: We would support that proposition. Yes.

SENATOR STOCKMAN: So you're not arguing just for a sunset?

MR. KURTZ: No, we--

SENATOR STOCKMAN: You're arguing for a responsible sunset which would include an alternate mechanism for funding.

MR. KURTZ: Business and Industry supports the Trust Fund concept. And we support the concept of all hospitals being equalized or balancing out the cost. We support that concept.

SENATOR STOCKMAN: All right.

MR. KURTZ: What we don't support is this blank check that we've given the Hospital Rate Setting Commission to increase hospital add-on costs.

SENATOR STOCKMAN: Thank you. Thank you, Mr. Chairman.

SENATOR WEISS: Thank you. Senator Ewing?

SENATOR EWING: Thank you, Mr. Chairman. Is anybody here from the Department of Health? (affirmative response from audience) Okay, I just wanted to make sure somebody was here because I didn't see the Commissioner. I think it's a fairly--

SENATOR WEISS: Hey, Jack, I know the Commissioner is out. They're working on some numbers I asked them for.

SENATOR EWING: She's doing it?

SENATOR WEISS: They are doing it.

SENATOR EWING: She said-- What were the other suggestions that were made? Do you have a list of those? Don't give them to us now. But could you send us a list?

MR. KURTZ: Yes, I have a list of them right here.

SENATOR EWING: The changes that the Department turned down?

MR. KURTZ: Yes.

SENATOR EWING: Could you make it available, through the Chair, so we could have it? The other thing is that I believe the Commissioner did bring out that one quarter-- As I gathered, about 25% of the uncompensated care were students. I think that's what I heard; I don't know.

MR. KURTZ: This is a guess.

SENATOR EWING: Or people under 25.

MR. KURTZ: I think that might be accurate. But they have no figures as to whether these people, or how

much of uncompensated care these people contribute. They have no--

SENATOR EWING: She made sort of a general statement that a lot of the younger people have very traumatic accidents--

MR. KURTZ: We have tried to get that information.

SENATOR EWING: And they won't give it to you?

MR. KURTZ: They don't have it. I might point out that when this Trust Fund concept was created a couple of years ago, the Department of Health put out a form which they require every hospital to complete for every person who receives uncompensated care. And the hospitals have declined-- Many of the hospitals have declined to furnish that information. That is why the Department of Health cannot give us a demographic picture of who is receiving uncompensated care; how much money college students are contributing to the burden.

SENATOR EWING: Okay, thank you very much. Thank you, Mr. Chairman.

SENATOR WEISS: Thank you, Senator Ewing. Any further questions for Mr. Kurtz? (no response) None? I guess there are no further questions.

SENATOR LIPMAN: Senator, do we have his statement?

SENATOR WEISS: No, I don't believe so.

SENATOR LIPMAN: We have a letter from--

MR. KURTZ: I have a statement here.

SENATOR WEISS: Could you get copies of that for the Committee, please?

MR. KURTZ: Yes.

SENATOR WEISS: Oh, you've got them all there?

MR. KURTZ: I have them all here.

SENATOR WEISS: Well, why didn't you pass them out before?

MR. KURTZ: If I passed them out, who would listen to me?

SENATOR WEISS: Of course, I wouldn't have.
(laughter) That's not true. I listened to you. You know that because I stopped you. Thanks. Dr. Munoz?

D R. E R I C M U N O Z: Members of the Committee, my name is Dr. Eric Munoz, I'm the Medical Director of University Hospital in Newark, and I want to commend you for what I think is a very important bill. I sit on a committee that advises the Congress regarding health care expenditures and this issue of uncompensated care is a very serious problem facing the nation. I think that New Jersey is one of the few states that is actually taking a leadership role in this area.

Now, let me personalize to you-- I'm a surgeon. Let me personalize to you what this means at the patient/hospital level. There are other states around this country that are looking in the news reports of all kinds of terrible things happening to patients, lying in hallways, not being able to get proper emergency services. I think that the passage of this bill will really preclude that from happening in the State of New Jersey, and I think that's to our credit.

Now, unfortunately, the projections of what will happen in the next five to ten years-- I can say that this area, for a number of reasons, is likely to grow significantly. So, I can look at some of the concerns of the legislators about how it will grow, but if you look at the proportion of the uninsured, the proportion of poor, if you look at problems such as AIDS, it's likely over the next three to five years to impact this. Therefore, even though I would like to urge fiscal restraint, I would say there's likely to be significant need over the next several years.

In addition, I would also say that the problem of uncompensated care is also the problem of emergency illness, if you look at how most of these patients become ill, it's via some emergency disease and, in fact, they require a great number of emergency services. Those emergency services

are delivered at two levels in the State of New Jersey: Number one is something called Advanced Life-Support, ALS, and number two is something called Basic Life-Support, BLS. Both of these services bring patients to the hospital, and these patients may or may not require hospital care.

Therefore, I think for a bill to consider uncompensated care, I would like to urge this Committee-- I would like to also offer an amendment; that you the consider the cost of ALS -- that's acute care services for emergency illnesses -- for these patients. And, unfortunately, there are certain institutions and certain communities that are much more adversely affected. So that if you look at the City of Newark, for instance, where there is a substantial amount of uncompensated care, there are institutions such as University Hospital and other hospitals in that region that deliver quite a bit of the uncompensated care. I have been asked to introduce an amendment that incorporates the cost of emergency life-support services provided by University Hospital, which is one of the big institutions that delivers much of this care into the uncompensated care pool.

I think that one way or the other over the next several years, this type of service will be thought to be part of this pool. I think that ultimately we may have to look at other types of emergency service delivery such as BLS services, because many of these patients do get brought to the hospital by emergency services, and to effectively attack the uncompensated care area and to remain in a leadership position, I think that the State of New Jersey should seriously consider this.

In conclusion, I'd like to really commend this Legislature for taking a real leadership role in something that not many states have done at a national policy level, which is causing tremendous debate such as you've seen here today about who should pay, the equity, etc. But I can say that I'm proud

to be a physician that works in a hospital in New Jersey that is in a forthright manner addressing this important issue. Thank you.

SENATOR LIPMAN: Mr. Chairman?

SENATOR WEISS: Doctor--

SENATOR LIPMAN: Mr. Chairman, I just wanted to--

SENATOR WEISS: Senator Lipman?

SENATOR LIPMAN: Yes.

SENATOR WEISS: Do you have a question?

SENATOR LIPMAN: No, not a question. I just wanted to thank the doctor for his presentation, especially about the situation at University Hospital, and to say that we've-- I recommend wholeheartedly to the Committee the addition of the Advanced Life-Support into the uncompensated care because of the situation that we have in a city like Newark.

DR. MUNOZ: Thank you, Senator.

SENATOR WEISS: Senator Zimmer? Thank you, Senator Lipman.

SENATOR LIPMAN: Okay.

SENATOR ZIMMER: Does anyone have an estimate of how much this would cost the Fund?

DR. MUNOZ: The program, at least for that large city, runs for ALS services roughly -- and again we have our financial analysts -- about \$2.2 million to \$2.5 million a year. But I actually can't answer, at the State level, for instance, if you ask whom to add next. But I do know that Newark provides the largest proponent of emergency ALS services.

I would call your attention to The New York Times today, which has a story about the denial about that type of service in New York City, where I worked previously, and the kinds of problems that can look -- for the local government.

SENATOR ZIMMER: I'm aware of the importance of ALS. My county of the Hunterdon district got ALS service very recently and has saved a number of lives already. But I don't

think it would be responsible of us to tack this on without some kind of ballpark estimate of how much this is going to cost all the patients in the system. Two million dollars you say is the cost of Advanced Life-Support--

DR. MUNOZ: Annually for the City of Newark.

SENATOR ZIMMER: For Newark, and how much of that is uncompensated, to the best of your knowledge?

DR. MUNOZ: I would say that probably in that urban environment, the majority of it, maybe 60%, 70%. But that's still a guess -- maybe even higher. It depends, again, on the particular urban environment.

SENATOR ZIMMER: And you wouldn't have any way to estimate -- extrapolate that statewide?

DR. MUNOZ: For the State? Well, if you think of Newark as being one-tenth of the population of New Jersey, roughly, I think it's like a million versus nine million.

SENATOR ZIMMER: No, it's 300 some thousand--

DR. MUNOZ: Well, thinking of that urban community--

SENATOR ZIMMER: --versus seven-and-a-half million. Oh, all right.

DR. MUNOZ: --versus where those services are delivered. And again, if I was going to guess, I would say it would probably be threefold that at the State level. It's a very rough guess of how many actual ALS services exist that are paid for in other urban or those types of communities. It's still a very rough guess. I'm sorry.

SENATOR ZIMMER: Around five million or so?

DR. MUNOZ: Probably more. Usually medical estimations are off -- significantly under, as you well know.

SENATOR ZIMMER: And what about BLS? Does your amendment relate to BLS?

DR. MUNOZ: The amendment doesn't, but I think that as a legislative body that at some point in the future it will be brought along these lines. This amendment doesn't, but I

think in the future there's no question that this is a service that is incorporated into the whole uncompensated problem.

SENATOR ZIMMER: When a patient pays the bill for mobile intensive care, does that bill have added onto it the surcharge for the Uncompensated Care Trust Fund?

DR. MUNOZ: I don't think so, but I'm not sure. You might ask some of our DOH colleagues if they know, but I don't know.

SENATOR ZIMMER: Thank you.

SENATOR WEISS: Thank you very much, Doctor. Senator McNamara?

SENATOR McNAMARA: I'll pass.

SENATOR WEISS: Okay.

SENATOR RICE: Mr. Chairman?

SENATOR WEISS: Senator Rice?

SENATOR RICE: Who will administer all these programs that are at your institution?

DR. MUNOZ: Well, right now in Newark the emergency medical service is delivered by University Hospital. That just happens to be the model in Newark, and I would imagine that it differs in other urban environments throughout the State. In other states it's administered by, you know, specific agencies. But to answer the question, at University Hospital it would be administered, I imagine, as it coexists now by that medical center. It doesn't have to be necessarily, though.

SENATOR RICE: Well, you know, I'm from Newark and I represent it, and you said we need the services. That's why I've said to keep the legislation in. My concern has always been, who will oversee it? That's the issue I was raising this morning with the Health Department: When do we start to look at things?

You know, (indiscernible) had their own investigation some time ago and there were some queries raised that even showed up in the paper: again, recently so, in the way of bad

leadership at the CEO level. I've always said that I don't disagree with the need, but I would be concerned, as I said this morning, about what do we look at, who will oversee it, and some of the questions that we have already requested to be answered, which haven't been answered to my satisfaction.

I'm not going to deny the people of the City of Newark and the State. But just to have programs and fund them, and the dollars are not going-- Because even now, UMDNJ can boast about the number of people that they service who are poor and destitute, but if you look at the number that they can service, given what they have and what they don't service-- And that little tier where poor people sit on one level, while professional doctors have a separate session for their private patients-- We've got some problems up there that need to be looked into. I just wanted to raise that, Mr. Chairman.

DR. MUNOZ: Thank you, Senator.

SENATOR WEISS: Is that it?

SENATOR RICE: That's it, Mr. Chairman. Senator Lipman is my colleague, but you would think everything is all well at UMDNJ. I just want to keep the record clear that things are not all well with the services we need.

SENATOR WEISS: I would have been disappointed if you'd let that one go by. (laughter)

SENATOR LIPMAN: Me too. I would have been disappointed.

SENATOR WEISS: Doctor, I don't think there are any other questions for you. I thank you very much for coming down.

DR. MUNOZ: I want to thank the members of the Committee. Thank you.

SENATOR WEISS: Mr. Richard Lloyd?

MR. LLOYD: Thank you, Mr. Chairman, members of the Committee. I believe a copy of my statement has been forwarded to you for your comment prior to the meeting. What I would like to do, unless, Senator Weiss, you have any objections, I

might-- See, since there has been reference to the statement in the morning session, if there are some additional questions about that-- I think I can focus in on some of the comments that were made -- and some of the statements -- if there are questions about the information contained in the text, as opposed to reading directly from it, if that's a preference, and also in the interest of time.

SENATOR RICE: Mr. Chairman, I have a question.

SENATOR WEISS: Oh. Okay, I have a lot of things going on up here. I'm working like a juggler today.

MR. LLOYD: Essentially, as I was saying, a copy of my statement was forwarded to the Committee. I think there were--

SENATOR WEISS: I've seen that.

MR. LLOYD: --questions about that. What I was thinking, in the interest of time, rather than paraphrase my statement, again, I would open myself up to questions about it and see if that's a preference of the Committee.

SENATOR WEISS: Okay. That would be fine, Mr. Lloyd. The Committee and I would appreciate that, and do appreciate it, as a matter of fact. I think Senator Rice has a question or two.

SENATOR RICE: I just have, hopefully, one question, unless you give the wrong answer. Not reading your statement per se-- The question is, Blue Shield/Blue Cross -- do they benefit from this package?

MR. LLOYD: We support the continuation of the Uncompensated Care Trust Fund. Yes. We would like to see a bill in place. We do not wish to see the Trust Fund expire prior to the end of 1988.

SENATOR RICE: The reason I raised that, Mr. Chairman, is because I'm trying to see the relationship between this bill and the way your entity handles people who you are providing for. For example, I'm very much concerned about those bills --

contractors out there who happen to be a part of New Jersey's business (indiscernible), that now they have to run around the State to see if they can find coverage, and your entity does not even have the decency to maybe work with the State and that group to give us an extended time so they can at least provide-- And that's why I'm concerned about Blue Cross and Blue Shield having an interest the way the rates are going and the way they treat people. I get a little concerned as to your support to something. But, I mean, I would assume that such a bill would prevent it. Would this bill have an impact on that kind of a situation?

MR. LLOYD: This bill, as far as I'm acquainted with it, just deals with how uncompensated care will be funded in the State. Uncompensated care is obviously one component of the rates that we charge our customers.

SENATOR RICE: I guess my issue is that the group I'm using as an example, they pay for coverage, so it wasn't uncompensated. It's just that your organization dumped them right away without giving them an opportunity to find a provider. So, what would happen in a situation like that? Would that automatically classify them on a temporary basis as uncompensated?

MR. LLOYD: No. I think the group that you're addressing specifically is an association. Is that correct.

SENATOR RICE: Yes. A trust. I think it's the New Jersey Builders Group Trust when they were covering their workers which happened to be little people from Newark who take hammers and drive nails.

MR. LLOYD: While not directly related to this bill, Senator, I should point out that the members of that association, the smaller companies that belong to that association, are eligible, in fact, to receive Blue Cross and Blue Shield coverage as an entity. Meaning if ABC Contractors belongs to the association, we will not necessarily say that ABC Contractors cannot have health insurance.

SENATOR RICE: So this bill is being, like, totally irrelevant to that type of situation.

MR. LLOYD: I think that-- I would be happy to discuss that situation which you brought up at a later time, but it is not directly relevant to this piece of legislation.

SENATOR RICE: So your attitude-- Okay. So, I've got to check the attitude about--

MR. LLOYD: It's not directly related, as far as I can see.

SENATOR WEISS: Anyone else? No one else? (no response) Suddenly I have nothing but a deadly silence.

MR. LLOYD: Okay, thank you, sir.

SENATOR WEISS: Thank you very much, sir.

SENATOR RICE: Mr. Chairman, just for you information, my concern that I was trying to raise is that there are people right now who have no protection, so we're trying to address it from uncompensated kind of care situation. Yet, the same entity that supports this, the more people we bring in and protect them through insurance, those who are willing to pay the (indiscernible). So, I have a problem with this kind of contradictory-- I just wanted to keep that in the record.

SENATOR WEISS: Thank you, Senator. Mr. Dominick Comesi.

DOMINICK COMESI: Thank you, Senator, members of the Committee. My name is Dom Comesi. I am the Senior Vice President of the New Jersey Hospital Association which represents all the hospitals in the State of New Jersey.

On November 10, Mr. Scibetta who is the President of the Association, provided testimony to the Senate Institutions, Health and Welfare Committee Chaired by Senator Codey. I presume you've received a copy of that testimony. If you have not, I have a copy here in front of me to provide to you.

In the interest of time, I won't read the testimony. What I would like to do is basically give you the position of the Association. We've reviewed the legislation, and we find that we are in support of the legislation. We feel the Trust Fund should continue. We are also in support of the technical amendments that we believe are being presented by Senator Codey today.

We looked at the legislation and, recognizing the practicalities of the situation that we find ourselves in, we find that it is a good piece of legislation and one that is needed. With that, I think I just prefer to try to answer any questions that you might have.

SENATOR WEISS: Senator Zimmer?

SENATOR ZIMMER: Do you support the proposal to cover ALS with the Uncompensated Care Trust Fund?

MR. CAMESI: I just heard that today. I believe we would.

SENATOR ZIMMER: In the prepared statement of the previous speaker, Blue Cross/Blue Shield, he said that very few New Jerseyans are aware that part of the cost of their hospital stay is used to reimburse hospitals for the cost of uncompensated care. Would your organization be opposed to a provision in this legislation which would require that there be a line item on everybody's hospital bill identifying the portion of that bill which is going to the Uncompensated Care Trust Fund?

MR. CAMESI: We haven't addressed that issue directly. I know some hospitals do identify it individually. We don't have a formal position, but if I had to guess, I don't believe we would oppose that.

SENATOR ZIMMER: Okay. Thank you very much.

SENATOR WEISS: Senator Stockman?

SENATOR STOCKMAN: There has been a suggestion that Business and Industry and others concerned about the approach

we've been taking have been unable to get a profile of the kind of person or people who are receiving this reimbursed care. Does your organization have that information? Is it something that ought to be available, based on your experience, or what?

It doesn't seem an unreasonable request to find out who it is that is receiving this and whether they are people who really need it or they're just bill dodgers.

MR. CAMESI: Senator, the information does exist. The problem is, it doesn't exist in a readily, retainable, or achievable format. Most of the information is collected at the hospital level. It's maintained in hospital records at the hospital. It's not really collected or reported anywhere.

Two ways of trying to get at the issue could be: To sample some of the hospitals to try and get some of the data, to try and identify from that sample the information that you want. We've been undertaking such a task through our Health Research and Educational Trust. I don't believe the results are finalized as yet, but we're attempting to do that.

The other way to achieve it would be to have someone actually go out to the hospitals and select some of the records that they would like to review on an individual -- on a sample basis. And to that end the hospitals are, as I think the Commissioner said, audited on an annual basis and that information is there. It is available. It just hasn't been compiled yet.

SENATOR STOCKMAN: Thank you. Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much, Senator Stockman. I guess I don't see any other volunteers for questions, Mr. Camesi. Thank you very much for appearing here today.

MR. CAMESI: Thank you.

SENATOR WEISS: Commissioner, I would like to dispose of this matter, since we've been on it for hours and our work load is not much different than it was at nine o'clock this morning.

COMMISSIONER COYE: Senator, we tried to come up with what you asked for in terms of an explanation of the numbers that are at issue here, and what Mr. Abrams is distributing now are a couple of charts of the moneys that we're discussing here today. So, I'll wait until those are handed out, if possible, before I start.

SENATOR STOCKMAN: Mr. Chairman, while we're waiting may I ask a question of the Commissioner? May I ask a question?

SENATOR WEISS: Yeah, go ahead, Senator Stockman.

SENATOR STOCKMAN: Commissioner, there has been a suggestion that the profile of typical recipients of this assistance in terms of payment of bills is nebulous, hard to identify. May I suppose the inferences made may be people who can well afford to pay their medical bills at these hospitals? Is it the fact that you have not been able to, or have been slow in developing this information? If so, why?

COMMISSIONER COYE: Well, we've actually-- First of all, there's a fair amount that's known nationally. But we wanted to look at the uncompensated care group in New Jersey specifically, and we've done two things: First of all, we've done a mini-survey -- that we now have the results of a random sample just to give us a relatively quick idea of the answers to these questions, and we're undertaking a larger, more long-term study to get more detailed information.

Christine Grant has more of the specific information, but we are able to say something about who makes up that population now in New Jersey. Perhaps if you want to ask a question about the aspect that you're most interested in, she could answer that.

SENATOR STOCKMAN: Well, what can you tell me in summary, because obviously it's an issue among some Committee members about whether we ought to be, you know, compensating these people or not?

DEPUTY COMMISSIONER GRANT: Well, we know that at the request of Business and Industry we, in association with them and the Hospital Association, have recently done a study of a sample of hospitals which showed that of those individuals who end up as being bad debt, approximately 55.9% are employed or are the spouse or a dependent of the employed. That was the question asked of the Trust Fund Advisory Committee, "Can you profile that?" To ask additional questions, where they are employed by size or other variables, would require going back into the file.

SENATOR STOCKMAN: Now, presumably, even though they're employed, they're employed by a noninsuring employer.

DEPUTY COMMISSIONER GRANT: Right, because we started with the sample of those who reported self paying, no insurance.

SENATOR STOCKMAN: And I take it you don't have any answers as to what their economic status is; what their earning experience is; things of that sort?

DEPUTY COMMISSIONER GRANT: Okay, directly from the stack that they were bad debt means that they could not have been charity care, meaning they were certainly above the Federal poverty level. If you figure out minimum wage, you could virtually be at the poverty level if you were-- Okay, so we know they are above the Federal poverty level.

Further refinements, no. That would obviously be a person-by-person review of some kind of sample of the records. We do know, looking at another source -- looking at those who are uninsured in New Jersey, assuming they are the same people we looked at who actually went to the hospital -- that of all the uninsured in New Jersey, approximately a third have incomes more than two times the Federal poverty level -- family income 20,000 or above, approximately a third are one times the Federal poverty level and -- one times above, and a third are below -- at are below the poverty level, but for some reason aren't covered by Medicaid.

That's a different data base. Then we went and looked at actual hospital expenditures.

SENATOR STOCKMAN: Well, that data base would seem to suggest that there is some room for at least contribution from some of these people in that top third towards these unreimbursed--

DEPUTY COMMISSIONER GRANT: Right. Now persons who are self-- This study of bad debt does not mean that they didn't pay anything. It means that after you're billed and collection procedures were instituted, and they were done, that there was still a remaining amount. That was the question we were asked--

COMMISSIONER COYE: If I could respond to the other half, which is if we got a third of the people in the uninsured pool -- whether or not they went to the hospital -- but a third of them are above two times above the Federal poverty level -- then there are obviously some people who should be in the insured population. And a lot of what we're doing under the proposed bill is to try and move them into the insured population.

SENATOR STOCKMAN: Thank you. Thank you, Mr. Chairman.

SENATOR WEISS: Thank you very much, Senator.

COMMISSIONER COYE: Let me start then. All I was planning to do was answer questions, but start out with going through these sheets here.

If I could start with the sheet that's labeled part 6 b. of the legislation at the top -- and I apologize for the fact that it's handwritten--

Part 6 b. of the legislation describes the total amount of money which is raised through the Uncompensated Care Trust Fund. Uncompensated care is the nominator in all hospital revenues minus uncompensated care is the denominator. So in 1988, \$450 million was raised, which is 10.5% of the base of all hospital revenues minus uncompensated care.

In 1989, we estimate that \$500 million would need to be raised over a base that is 4.5 minus 500 million, which would give you approximately 12.5%. The cap in the legislation in part 6 b. applies to this percentage. It says: "Uncompensated care can't rise by more than 1% above the percentage which is effective on January 1, 1989." So according to our estimate here, it would not rise to greater than 13.5%.

If you turn to the page labeled part 6 a.--

SENATOR ZIMMER: Mr. Chairman, may I ask a question about the first page?

COMMISSIONER COYE: Sure.

SENATOR WEISS: Go ahead, Senator Zimmer.

SENATOR ZIMMER: Why do you assume the revenues won't go up from '88 to '89?

COMMISSIONER COYE: They very well may, but this is a very rough rounding off of the revenues.

SENATOR ZIMMER: Well, you've rounded the other numbers up, why don't you-- If the uncompensated care is going to go up 450 to 500, won't the revenues go up as well?

COMMISSIONER COYE: We would expect that they would go up. If they do go up, then this percentage will be less.

SENATOR ZIMMER: Yes, that's what I hope.

COMMISSIONER COYE: So the impact will only be helpful. What we're doing is worst case scenario.

SENATOR ZIMMER: I'm still thinking about the cap that we discussed. So, 12.5 is a very aggressive computation because--

COMMISSIONER COYE: Well, but the 4.5--

SENATOR ZIMMER: Can you tell me the last time the revenues stayed flat year to year?

COMMISSIONER COYE: The 4.5 billion in 1988 is also a very rough estimate. In other words, I'm working with numbers that are very specific for uncompensated care. I'm giving you very rounded off numbers for all hospital revenues.

SENATOR WEISS: Commissioner?

COMMISSIONER COYE: Yes.

SENATOR WEISS: You say this was a pro forma just to advise us how the formula operated?

COMMISSIONER COYE: What the mechanism is, yes. Unfortunately--

SENATOR WEISS: The numbers are not hard and fast.

COMMISSIONER COYE: Yes, and there's an entirely other set of our staff on the general hospital revenues that I would have to go back and do a bunch of runs to make sure that you have exactly what you need, if this is going to be held to as exact. As you see here, I said estimate. I'm trying to describe how the numbers were arrived at.

SENATOR ZIMMER: If you just extrapolated the growth of revenues year to year, what would 1989 be for total revenues?

COMMISSIONER COYE: The problem is I'm not sure I want to use 4.5 as the base for '88. It would go up maybe 7%, 8% a year -- a lot, okay? -- 5% or 6% a year.

SENATOR ZIMMER: Five or six-- What was 1987?

COMMISSIONER COYE: I'm sorry, I don't have those figures right at hand.

SENATOR ZIMMER: Okay, thank you.

COMMISSIONER COYE: In fact, for 1987, the hospital reconciliation hasn't been done through the hospital rate setting process, so even a number we give you for '87 would be an estimate within, probably, a couple of million dollars, at least.

SENATOR ZIMMER: Close enough.

COMMISSIONER COYE: So, 6 b. gives you the description of the total amount of money which would be raised. Part 6 a. described how that total money raised is actually paid for by the payers that participate in our system. So it shows you uncompensated care as the numerator, and all payers in the system, which means everyone except Medicare, as the denominator.

In 1988, it was basically 10.5%, which is the percentage off the first chart, 6 b., plus 8.5%, which is the Medicare shift, for a total of 19%. In 1989, we estimate that the 500 million in uncompensated care over a total of roughly 4.5 billion in general revenues, minus 1.8 billion because Medicare is not a participant in the system, '89 minus the moneys for uncomp care would give you approximately 22%. Most of that rise is due to that final Medicare shift.

This percentage -- the 22% -- or in this year 19%, is that amount that is added on by all payers in the system except Medicare, currently.

SENATOR WEISS: When we're talking about an actual-- If these were the numbers, we would be talking about an actual rise of 22%.

COMMISSIONER COYE: I'm sorry, not a rise, an actual add-on of 22%.

SENATOR WEISS: Well, okay, use the word "add-on."

COMMISSIONER COYE: The rise would be for 19 -- sorry.

SENATOR WEISS: Okay.

COMMISSIONER COYE: Yeah, the actual-- The increase from '88 to '89 is only from 19% to 22%.

SENATOR WEISS: And, on top of this, would there be the 1% that you talked about before?

COMMISSIONER COYE: Well, the 1% would be a cap. It wouldn't necessarily go up that one additional percent. In other words, we do think that we will go up from 19% to 22%. The 1% would be there as a cap so we couldn't go further. But we're not sure we would go up to 23% until we see what the numbers are. The cap is not an intent to go up another 1%. It's a limit, and we're not sure we would go up an additional 1%.

SENATOR WEISS: You said it would probably face you with that at some time down the road.

COMMISSIONER COYE: Down the road, but not necessarily in '89. The last sheet that I had just shows you the proportionate share of uncompensated care by the four big players in our system: Medicare, Medicaid, Blue Cross, and all other insurance.

If you look at '88 and '89, you can see that by Medicare shifting its final 6% of uncompensated care -- by the fact that they are ceasing to pay that 6% -- that Medicaid and Blue Cross and all other insurance will go up slightly for '88 to '89, but the bulk of the shift in Medicare cost has already occurred in '86 and '87 and '88, so there isn't much more shift that's going to happen in '89. Most of that shift has already taken place.

I hope this clarifies -- because you were referring correctly to the fact that there are really two formulas here, and I was trying to make them a little more exclusive.

SENATOR WEISS: I'm just trying to reconcile in my mind all that you gave me.

COMMISSIONER COYE: And the main thing that I showed you the last chart for, is to show you not only that there is not much more remaining shift in '89, but also to remind you that the bulk of these shifts occurred in '87 and in '88. Again, I think you would have heard from the payers if they thought that this system was an untenable way to solve the problem of indigent care.

SENATOR McNAMARA: Could you repeat that last-- Senator, would you please ask the Commissioner just to repeat that last statement? I was distracted.

SENATOR WEISS: Would you be kind enough to?

COMMISSIONER COYE: Okay. We have a letter of support from the Prudential Insurance Company for this approach and that a number of the other payers involved -- HIAA, Blue Cross, etc. -- support in concept this approach. Some of them -- Blue Cross specifically -- said they would prefer general revenues

but Prudential and HIAA said that they support this approach to it. Specifically, we shifted \$180 million almost in the last couple of years, and it's been a very quiet and smooth-running process during that time.

SENATOR McNAMARA: I might just to-- So that to recognize those people that are, you know, standing on their own, paying their own bills. Prudential can treat this as a pass-through. It's like the garbage collector has no real complaint at all if the tipping fees quadruple. And you want to know why? Because all he does is submit it to the town and the town pays whatever the tipping fee is. So, Prudential really doesn't have a problem.

But I submit to you that if Prudential had to take out of their end of their gross profit any percentage of this uncompensated care, you would hear from them loud and clear and they would not be supportive. So I think it's really a place for-- You know, to say that they support it really means nothing.

I'm trying to point out to you that there are a great number of people that pay their own bills, and those people are impacted and are greatly affected.

COMMISSIONER COYE: I don't understand how it is going to be improved. And again, let me say, as I did in the answer to Senator Stockman, that the most important thing to me is that we find some way of paying for indigent care and that this is truly a public policy argument about what the best base for financing is and not one in which--

SENATOR McNAMARA: You know, I'll tell you what: That's like talking about a year ago or two years ago the-- I guess it was indigent care, an \$11 million program; 10 million went to administration and one million went to the indigent care.

COMMISSIONER COYE: The medically needy -- children -- yeah.

SENATOR McNAMARA: The Medically Needy Program.

COMMISSIONER COYE: But the question--

SENATOR McNAMARA: I don't want to get back on the issue of--

COMMISSIONER COYE: The question I wanted to ask you was that for the individual person who is paying \$45 to \$60 of the premium for uncompensated care in a world where their premiums are skyrocketing every year-- Are they going to feel better if that is paid out of their general taxes because--

SENATOR McNAMARA: They may feel better because -- guess what? -- if someone is making 20,000 and someone is making 100,000, the guy at 20,000 is less able to afford that increase in the premium. It's an equity question. I don't know what the real answer is, but I'm suggesting that the charge of the original legislation was to come up with something that was more equitable. Because when the original legislation was passed, it was passed as a temporary fix, and not to be adopted as policy.

COMMISSIONER COYE: When you look at--

SENATOR McNAMARA: That it was not equitable.

COMMISSIONER COYE: Could I-- This is-- One of the things that came up this morning was the issue of whether these things have been looked at carefully. This is not the product of my staff alone. This is the product of that Uncompensated Care Trust Fund Advisory Committee, set up by legislation. It's a very thorough investigation of all the possibilities, and I will certainly provide that to all the members of the Committee.

SENATOR McNAMARA: Were those proposals-- Who accepted them or who rejected them?

COMMISSIONER COYE: The proposals were reviewed by that committee and recommendations were made to me. They did not make the final recommendation with regard to all of the finances and things because they could not agree on a better

substance for this. There were different opinions held with in the committee that they could--

SENATOR McNAMARA: All right. Obviously, many of the recommendations were rejected.

COMMISSIONER COYE: No. I beg you pardon? Why?

SENATOR McNAMARA: Well, we're right back to--

COMMISSIONER COYE: No, the vast bulk of them were accepted and transmitted to the Legislature. You will see in this that the vast bulk of them were submitted, but the issue which the committee could not come to uniform agreement on, was the issue of the financing. And again, let me point out, that is in part I think because it's not something that medicine or public health have the expertise. It is a policy issue of how society wants to pay for these things. But the one thing that I would point out from the practical concern of making sure that the indigent continue to be paid for at many of the hospitals in your district and other Senators' districts, is that there not be a lapse; that this continues to be paid for.

SENATOR McNAMARA: We're not even debating that, because I'm talking, you know-- Because we happen to be, again, at the 11th hour addressing the bill. There's no other choice because we can't let it lapse. I don't think it should always end up in here at the bottom of the ninth inning, quite frankly. I think you had to be well aware of it several months ago.

COMMISSIONER COYE: We've been in discussions for a long time, but the problem is that there is so much controversy around this issue, that getting pieces of legislation and moving them through is a long process. It's not a simple thing where you have an idea, and it goes through.

SENATOR WEISS: Senator, (referring to Senator Zimmer) if I call on you-- Senator Brown, and I have three others, and we're going to get to the very end of this thing about nine

o'clock tonight. I don't mean to cut the bait, but I have to at one point. And we're going to have to go to the amendments and perhaps--

SENATOR ZIMMER: I was going to ask the Commissioner her position on the amendments.

SENATOR WEISS: Oh, all right. We'll take the amendments up and we'll find out. Let me ask: Do you know, Commissioner, what the amendments are? Have you seen them?

COMMISSIONER COYE: No.

SENATOR WEISS: Would you-- Peg, read them off, please.

MS. McNUTT (Committee Aide): There are Committee amendments. The two major ones are clarifying that the Hospital Rate Setting Commission may approve individual hospital rate increases for uncompensated care, in addition to the add-on and including the cost of Advanced Life-Support Services provided to certain individuals in the cost of uncompensated care.

COMMISSIONER COYE: I'm very sorry, I couldn't catch most of what you said.

MS. McNUTT: The Committee amendments -- the substitutive ones -- include the cost of advanced life support services for certain persons in the cost of uncompensated care that regards mobile intensive care unit care for charity care uninsured patients.

COMMISSIONER COYE: We are in support of that.

MS. McNUTT: Okay. Then there is another one that clarifies that the Hospital Rate Setting Commission may include individual hospital rate increases -- uncompensated care.

COMMISSIONER COYE: Yes, we don't oppose that.

SENATOR WEISS: You're in favor?

COMMISSIONER COYE: Yes.

SENATOR WEISS: Oh, okay.

MS. McNUTT: The amendments that have been brought up and discussed today have an expiration date of December 31, 1990, instead of 1992.

COMMISSIONER COYE: I would be in opposition to that.

MS. McNUTT: And this is a combined one from Senator McNamara and Senator Ewing. It discusses having the Commissioner report on the activities of the committee and what they've accomplished during the year in their annual report, as well as within one year coming up with an alternative means of funding the uncompensated care.

COMMISSIONER COYE: The first half of that I'd be strongly in favor of and am very glad to submit the report. I would take on the responsibility of the second but suggest that all of the possible mechanisms are described in our report and that the decision of which of those mechanisms would be adopted-- We recommended this mechanism because it was the best one to us.

Any one of those other ones are fully described in there, and if the Legislature chooses a different funding mechanism-- What is the most important to us, is to make sure that the care is funded. I think we would be hard-pressed to recommend another means, but we could certainly take that on. Perhaps something will occur and transpire federally in the next year that will give us an opening to do something new, and we'd be glad to take that on.

SENATOR WEISS: Senator Ewing?

SENATOR EWING: I want to leave it the way it is.

COMMISSIONER COYE: Okay, we'll accept that. We'll support it.

MS. McNUTT: Then Senator Zimmer has proposed two amendments: one that clarifies that the add-on shall not exceed the add-on percentage plus 1% as of January 1, 1989, or 13%, whichever is lower, and the second amendment includes that the amount of a hospital bill to be paid to the Trust Fund be shown as a line item on each bill.

COMMISSIONER COYE: On the line item issue, we would defer to the hospital industry -- to the Hospital Association -- because that's not an area-- We offer no opinion on that. I don't see a particular problem with it, but I would defer to them in terms of the implementation. On the 13%, I would strongly -- based on the work that we were able to do today at noon in trying to prepare the numbers and come up with our best estimate-- I would strongly prefer a number of 13.5 because that's 1% above our estimate of 12.5. If that change could be made, we would certainly accept that language.

SENATOR ZIMMER: Mr. Chairman, I would like to respond to that if I could. Assuming that there is a 5%, 6% increase in total revenues this year -- you said it was the past trend -- that would change the number on your part 6 b. sheet from 12.5 to 11.7, which would be able to give you the 1% cushion with room to spare. And if we -- as I think we will -- amend this bill to make a two-year program instead of a four-year program, that will mean that there will be even less of a reason to have that cushion. So I will stick with the 13% if it's the will of the Committee. If not, then I'll certainly go with 13.5.

COMMISSIONER COYE: I am extraordinarily reluctant-- If I may give a couple of specific problems: One is that we're undertaking a hospital reimbursement reform to be implemented on January 1, 1989. The modeling for important pieces of that has not been completed to indicate, for example, exactly how much more money we will put into the system through rebasing and updating.

So, we're very concerned about having used figures that were rough -- that we came up with here. The 4.5 billion for '88 may be down enough to explain the difference so that in '89, we might be able to come to a 4.5, 4.6, or 4.7. I think that the disadvantage significantly is, if they wind up having

to swallow on a hospital specific basis a 50, 60, 70 million dollar shortfall because of what we do rapidly here today.

I would like to strongly suggest that our reimbursement reform may not support the kind of increase in '89 that we have had in previous years, and that we may condemn some of our hospitals to do the very best job in this area to a very unfortunate result.

SENATOR WEISS: Senator Zimmer, if I may. The bill is going to run for two years, and these folks are going to have to be back here then, so a cap may be something redundant because this is going to end in two years, and we'll know then, or by then, what their position is, financially. So, maybe-- I don't think we'll put a cap on it.

SENATOR ZIMMER: Is that what you're suggesting? Are you suggesting that we go to 13-and-a-half?

SENATOR WEISS: No, I'm suggesting that--

SENATOR ZIMMER: We drop the idea?

SENATOR WEISS: Yes. I don't think it's going to do anything.

SENATOR ZIMMER: Well, look--

SENATOR WEISS: Senator, I've been very patiently listening to you, and I'm trying to balance it in my mind. I don't think it's going to do anything.

SENATOR ZIMMER: Well, my thought is that it will put additional pressure on the Department to keep the cost of the program low. It's been exploding, if you look at the growth and I think there are some aspects of it that are out of control and there are some that aren't -- some that are within their control.

SENATOR WEISS: I understand that, Senator Zimmer.

SENATOR ZIMMER: So, I'll tell you, Mr. Chairman, I'd like to put up for a vote and go with the 13%. I'd like to put that up for a vote.

SENATOR WEISS: Absolutely. Senator Rice?

SENATOR RICE: I would like to just indicate I understand Senator Zimmer's concerns, but I also concur with you. I think that I have expressed before that I am concerned, as is Senator McNamara, that you don't look at four years right now -- that we look at something less. And I would have to feel that if we do that, that's going to really address Senator Zimmer's concern about making them try to be a little bit more rational with this whole total piece, even as it relates to the dollars because of the time frame. So, I would encourage you not to even put that amendment up. Let's just go the other way.

SENATOR WEISS: Well, he's entitled to put the amendment up.

SENATOR RICE: I didn't say he wasn't entitled. I said I would encourage him--

SENATOR WEISS: Oh, not to. Oh, okay.

SENATOR RICE: To keep his record clean.

SENATOR WEISS: Senator Stockman?

SENATOR STOCKMAN: I'd like to speak briefly against the amendment. New Jersey has been a pioneer State, it seems to me, in this concept of access to hospital care even for the uninsured and the poor. I think New Jersey has also been recognized as a pioneer State in terms of trying to contain hospital costs. In that setting, and at a time when we do not have clear evidence to support the suggestion-- I think the inferred suggestion of these efforts, both the sunset effort and the capping effort, that there is some sort of a rip-off of the public, perhaps-- I think we ought not to do this until we put into place an alternate mechanism. And that's my position on the sunset and that's my position on the cap.

In other words, if those who are troubled by what we've been doing are prepared to come forward with a funding mechanism, whether it's from general revenue, some special dedicated tax -- which I think before this Committee would have a very, very tough row to hoe -- or some other way, I think it

is playing Russian roulette with the health care needs of the poor of this State to put a cap and to sunset this program.

It's worked. It may not be the best approach; it raises public policy issues. But until we answer those issues affirmatively, I don't think we ought to tamper with the program. So, I'll oppose a motion for a cap, and I'll urge my colleagues to do likewise.

SENATOR WEISS: Wait a minute, we didn't get that far yet, Senator.

SENATOR STOCKMAN: Oh, I'm sorry, I thought we were on a motion.

SENATOR WEISS: No, we're not on a motion yet. We're just trying to get the whole process straightened out because we're all over the lot. I have Senator McNamara. What is your problem?

SENATOR McNAMARA: The comment that Senator Stockman made-- In all due respect to my learned colleague, I've learned something since I've been down here. For three years I've been hearing him harping about the fact that there's never been any property tax reform, so I say the sunset is necessary because if you wait for the Legislature to move, nothing is going to move unless they have a target. So I suggest we give you the target.

SENATOR WEISS: All right, let's--

SENATOR STOCKMAN: I wish we could sunset property taxes. (laughter)

SENATOR WEISS: You know, that's not a bad idea. I'll second that one. All right, we have one more amendment, and it has to do with UMDNJ and the advanced life support system. Is that what it--

SENATOR LIPMAN: Yes.

SENATOR WEISS: Is that your amendment?

SENATOR LIPMAN: Yes.

SENATOR WEISS: Is it yours?

SENATOR LIPMAN: Yes. I'll take it.

SENATOR WEISS: I think I ought to give that to Senator Rice.

SENATOR LIPMAN: Mr. Chairman, I'd like to urge my fellow members on this Committee to please vote favorably on this amendment, because when acute care is needed, it's sort of a desperate situation, and I would urge you to provide this kind of support for that need.

SENATOR EWING: Mr. Chairman?

SENATOR WEISS: Yes?

SENATOR EWING: On that one on life support, is it just for the College of Medicine and Dentistry, or for all hospitals?

COMMISSIONER COYE: If I could speak to this, there are two separate pieces. One piece says that all hospitals in the State will have their mobile intensive care unit advanced life support cost, which is charity care from the Trust Fund which we support and would reach all hospitals in the State.

The second piece refers to the fact that the College of Medicine and Dentistry in Newark has a cap. It's one of two hospitals that has a cap on the total amount of uncompensated care that can be reimbursed at that hospital. And this additional amendment that Senator Lipman has offered would allow that hospital to add hospital specific uncompensated care reimbursement on for their ALS services so that they don't go to the Trust Fund for that money, but it's not under their cap for their hospital; but it doesn't go to the Trust Fund for that money.

SENATOR WEISS: Senator Zimmer has an amendment. Let's take his. Your amendment on--

SENATOR ZIMMER: Why don't we take the stronger amendment first, the more popular amendment first?

SENATOR WEISS: The more popular amendment first. That was Senator McNamara's amendment on a two-year expiration date. We had no problem with that.

COMMISSIONER COYE: No, I'm sorry, I oppose that.

SENATOR McNAMARA: She opposes it. I move it.

SENATOR ZIMMER: The Commissioner does have a problem with that.

SENATOR WEISS: She does?

SENATOR ZIMMER: She opposes it.

COMMISSIONER COYE: With the two-year sunset?

SENATOR WEISS: Yes.

COMMISSIONER COYE: Yes, I would prefer the four-year sunset.

SENATOR WEISS: I understand that. Senator--
Somebody move the--

SENATOR EWING: I'll move it.

SENATOR WEISS: Second?

SENATOR McNAMARA: Second.

SENATOR WEISS: In favor?

MEMBERS OF THE COMMITTEE: Aye. (except Senator Lipman)

SENATOR LIPMAN: No.

SENATOR WEISS: Against the two-year sunset.

SENATOR LIPMAN: I abstain.

SENATOR WEISS: Okay. Senator Lipman is opposed. Reporting requirements on the commission. That was whose amendment?

COMMISSIONER COYE: Oh, yes, and we support that.

SENATOR WEISS: You support it? All in favor?

MEMBERS OF THE COMMITTEE: Aye.

SENATOR WEISS: All opposed? (no response) I guess that one is unanimous. Advanced Life-Support UMDNJ amendment. That was Senator Lipman's.

SENATOR RICE: Second.

SENATOR WEISS: Second. All in favor?

MEMBERS OF THE COMMITTEE: Aye.

SENATOR WEISS: Opposed? (no response)

SENATOR ZIMMER: Mr. Chairman, rather than keep the suspense, I'll withdraw that cap.

SENATOR RAND: Good show.

SENATOR WEISS: The cap amendment is withdrawn. Boy, you're lucky.

SENATOR ZIMMER: I thought I'd keep my record clean.

SENATOR WEISS: The Commissioner indicated on showing the line item on the charges going to the patient-- The indication is that that should be done by the -- did you say the Rate Setting Commission?

COMMISSIONER COYE: No, it's the hospitals that would do it. I was just deferring to their opinion on it.

SENATOR ZIMMER: The Hospitals said they had no objection.

SENATOR WEISS: What?

SENATOR ZIMMER: The Hospitals said they had no objection.

SENATOR WEISS: They have no objection?

SENATOR STOCKMAN: Doesn't it smack of too much governmental interference in the private sector?

SENATOR WEISS: That reminds me pretty much of the gross receipts tax that's now shown. And I want to tell you something, Senator. You all vote the way you want to, but I have an aversion to doing that. I've been fighting that for years, and I can't do it here.

SENATOR ZIMMER: Mr. Chairman, let me explain why. The Commissioner said that this is a matter of public policy, and I agree. But the public doesn't know what's happening because this is hidden in the bill. I do believe that the entire complexion of the political debate will change after the public sees how much of their bill is going to the Uncompensated Care Trust Fund.

SENATOR McNAMARA: I'll second it.

SENATOR RAND: Mr. Chairman, I want to speak against that.

SENATOR WEISS: This is an amendment. You want to speak--

SENATOR RAND: Yes. I'm going to speak against it.

SENATOR WEISS: Now or--

SENATOR RAND: Now.

SENATOR WEISS: Well, now is the time I'm ready to call for a vote.

SENATOR RAND: Okay, fine. I happen to think it's very pointed, which will absolutely be zeroed in on certain particular hospitals and certain particular areas. What you do, very frankly, is you create a situation upon which you point fingers, and I think that is not the right way to go. I think that's not the right way to go. I think it's the wrong way to go because it's strictly the pointing of a finger at a particular group, and I would oppose it very definitely.

SENATOR WEISS: Okay, we're back on the--

SENATOR RICE: Well, I don't want to delay this, but I'm confused as hell. Are we talking about information on the building? Is that the amendment?

SENATOR WEISS: That's what we're talking about.

SENATOR RICE: And I'm trying to see-- That will apply to all the institutions in the State -- 88 hospitals?

SENATOR WEISS: That will apply to everyone.

SENATOR EWING: In other words, showing you a bill how much was uncompensated and how much was--

SENATOR RICE: That's what I thought. I'm just trying to figure out the finger pointing. Now, I recognize that some hospitals, because of where they're situated, are ultra wealthy and they don't, maybe, cater to the uncompensated. It doesn't mean they can't. But I would be concerned about-- I don't mind the finger pointing because I know in Newark, for example, and in Irvington, if, in fact, we have numbers, I can deal with credibility a lot better.

So I was concerned with that. I'll support it. But I just thought maybe something needed clearing up to me, because I didn't want to do the wrong thing. Okay.

SENATOR WEISS: Senator Rand feels touchy about those and he is entitled to that. It's been moved and seconded. All in favor.

MEMBERS OF THE COMMITTEE: Aye. (except Senator Rand, Senator Lipman, Senator Stockman, and Senator Weiss)

SENATOR WEISS: All those opposed?

SENATOR RAND: No.

SENATOR WEISS: My vote is, "No" on that. As I indicated to you, I just don't believe in that happening, and it does happen.

SENATOR LIPMAN: I abstain.

SENATOR WEISS: One abstention.

SENATOR STOCKMAN: I'm abstaining, too.

SENATOR WEISS: Two abstentions. Then I've got to take a count. One--

SENATOR STOCKMAN: Three, four, five of us.

SENATOR WEISS: Five. I need another vote.

SENATOR EWING: Matty Feldman. (laughter)

SENATOR WEISS: Matty Feldman.

SENATOR McNAMARA: I'll vote his vote, I'm from Bergen County.

SENATOR WEISS: What's that?

SENATOR McNAMARA: I'll vote his vote, I'm from Bergen County. (laughter)

SENATOR RICE: You want me to call him?

SENATOR EWING: What about Pallone? Call him in Washington.

SENATOR WEISS: All I can get from you people today is a headache, unless you get me another vote.

SENATOR EWING: How did Wynona vote?

SENATOR LIPMAN: Who?

SENATOR WEISS: She abstained.

SENATOR LIPMAN: I abstained.

SENATOR EWING: After we supported-- Boy!

SENATOR LIPMAN: I supported your--

SENATOR EWING: Just remember, life is not a one-way street.

SENATOR RAND: Enough of this threatening, Mr. Chairman. (laughter)

SENATOR ZIMMER: I'll accept temporary defeat, Mr. Chairman.

SENATOR WEISS: Would you? Thanks. The motion is withdrawn. And the Committee amendments-- The bill as amended?

SENATOR RAND: I'll move it as amended?

SENATOR McNAMARA: Second.

SENATOR WEISS: All in favor?

MEMBERS OF COMMITTEE: Aye.

SENATOR WEISS: All opposed? (no response)

Commissioner, have a nice day.

SENATOR ZIMMER: I'm abstaining, Mr. Chairman.

SENATOR WEISS: Oh, one abstention. (laughter).

COMMISSIONER COYE: Thank you very much.

SENATOR WEISS: She'll be back. She's got another bill. Senate Bill No. 2956 -- Cancer Research -- 2956. Senator Rand?

SENATOR RAND: I'll move the bill.

SENATOR WEISS: Senator Rand moves Bill No. 2956, an appropriation of \$3 million for the New Jersey Commission on Cancer Research.

SENATOR RAND: Yes, for five-year--

SENATOR LIPMAN: Second.

SENATOR WEISS: It's been moved and seconded. All in favor?

MEMBERS OF COMMITTEE: Aye.

SENATOR WEISS: That bill is released. Senator Bassano, 2907, requires the Medicaid program to cover hospice services.

SENATOR RAND: I'll move the vote.

SENATOR McNAMARA: Second.

SENATOR WEISS: All in favor?

MEMBERS OF COMMITTEE: Aye.

SENATOR WEISS: Opposed? (no response) You waited all day for that, didn't you?

SENATOR EWING: No demonstrations.

SENATOR RICE: Unless it's for Ewing.

SENATOR WEISS: We thank you very much for coming down. We're sorry for the great inconvenience, but we do have days such as this. Appropriation of \$2.5 million in Federal funds to the Department of Law and Public Safety.

SENATOR RAND: I'll move it, sir.

SENATOR McNAMARA: Second.

SENATOR WEISS: All in favor?

MEMBERS OF COMMITTEE: Aye.

SENATOR WEISS: Opposed? (no response) Hearing none, that bill is released. That's 2966, Senator.

SENATOR LIPMAN: Thank you.

SENATOR WEISS: Okay, Senate Bill No. S-890, Senator Lynch. \$1.148 million to the Commission on Science and Technology.

UNIDENTIFIED MEMBER OF COMMITTEE: Move it.

SENATOR EWING: Second.

SENATOR WEISS: Moved and seconded. All in favor?

MEMBERS OF COMMITTEE: Aye.

SENATOR WEISS: Opposed? (no response) S-890 is released. The agricultural people, thank you very much for coming down. We have Senate Bill No. 2474, Costa.

SENATOR McNAMARA I'll move it.

SENATOR WEISS: Changes the definition of "Veteran" to include members of the Merchant Marine who served in World War II.

SENATOR McNAMARA: I'll move it.

SENATOR ZIMMER: Mr. Chairman, sir, I read this just this morning as amended by Committee. It not only includes Merchant Marines, but it also changed the date of eligibility for all veterans, and I'd like to know how much this will cost the State? It could be very expensive, because it would cover a category much bigger than Merchant Marines.

What it would do is categorize as veterans people who did not serve during what's commonly considered wartime; people who were not in a combat situation or at risk of a combat situation. So, I have concerns about this. Is somebody here from Pensions?

SENATOR WEISS: Yes, there's someone here, Senator, from Pensions.

SENATOR STOCKMAN: Mr. Chairman, is that accurate? I had not picked that up.

SENATOR WEISS: Well, I'm not really sure.

C A R O L Y N E. B R O N S O N: Good afternoon. Any of these? (referring to mikes) When were the amendments made? I'm not familiar with--

SENATOR ZIMMER: They're labeled as Committee amendments.

MS. BRONSON: Oh, they were made in Committee with the war date expansions.

SENATOR WEISS: They were made in the State Government Committee.

MS. BRONSON: Right. The Division is opposed to the legislation on the grounds that it has not funded for these people to take a veterans' benefit, and so the expansion of the war dates is a different issue, as well as the inclusion of people who were not previously classified as veterans.

There's another bill in the Legislature to expand war dates even farther than that to create another class of people as veterans.

SENATOR ZIMMER: Are you familiar with the dates in this bill?

MS. BRONSON: Vaguely. Yes.

SENATOR ZIMMER: It would include-- It would stretch the Korean War out to 1955 and the Vietnam War out a few years.

MS. BRONSON: Yeah. I think to make them compatible with Federal war dates.

SENATOR ZIMMER: Right. But it's a period of time when nobody was shooting.

MS. BRONSON: When nobody was-- Well, we have, I think, a question of the states having a different concept of when the wars were occurring rather than the Federal government, and be that as it may, I'm certainly not going to, you know, pass judgment on that. The Division of Pensions actuarially pre-funds its systems based on who they think veterans are and how many veterans there are going to be. We have not pre-funded for those expansion dates or for Merchant Marines, even though we respectfully understand the kinds of danger they were put in. I think it's wonderful they were declared veterans, but we don't really theoretically have the money to pay for them to take a veterans' benefit.

We don't expect, in terms of the Merchant Marines, that there would be much cost involved, because there would not be that many people included in the bill. Most of them have already retired. But in terms of the expansion of war dates, that's a different cost entirely, and those are costs that I'd rather comment on at another time.

SENATOR WEISS: Senator Zimmer?

SENATOR ZIMMER: Mr. Chairman, I have no objection to covering the Merchant Marines if they served during wartime. But I think the change of the dates is something that has always troubled me, and I can't support it that way.

SENATOR WEISS: You ask a very pertinent question. We weren't aware that there were other amendments made to this bill.

SENATOR ZIMMER: I saw on pages 20, 22, and 23 the Korean War, and pages 33 and 41, I believe, are Vietnam.

SENATOR WEISS: Rather than extend debate on this, we'll hold it until our next meeting. Thank you, Carolyn.

SENATOR STOCKMAN: Mr. Chairman, may we ask-- Ms. Bronson, may we ask that-- I see that there's no fiscal note. Is the Department going to work to get that?

SENATOR WEISS: Senator, we'll work to take care of that.

SENATOR STOCKMAN: All right.

SENATOR WEISS: We'll have all the information at the next meeting. Senate Bill No. 2921, Governor's Council on Alcoholism, \$4.5 million.

SENATOR EWING: The question of amendments on there-- Do you have the questions to the amendments, Peggy?

MS. McNUTT: I think they've been passed out.

SENATOR EWING: Mr. Chairman, as a co-sponsor of this bill, there's been a great deal of deliberation over the last year-and-a-half, two years. There was another meeting held on Friday with a group from the Majority staff, Minority staff, and some outside individuals. The changes that were made in the bill that was passed by Senator Codey's committee-- There were some datelines put in which would have made the money going out to the alcohol and drug people-- This would not occur for 13 months. This was verified at the meeting on Friday.

At that meeting, we decided to speed up the issuance of that money and to give the drug treatment their \$2 million within 90 days because there's such a desperate need for drug treatment money. And also at the same time, to give the \$2 million--

Let me just back up a minute. The drug treatment money would not be out of the general funds. That's DEDR funds. Those are from the fines -- from fining the drug

pushers, etc., and there is slightly over \$3 million, I believe, in that fund right now.

The additional \$2 million would come from general funds and would take place now rather than waiting almost a year from now, so that the so-called alliances could be formulated and start to work. There's a question in some people's minds as to whether the alliances could come up to speed with plans that would be feasible, etc., in such a short period of time.

The amendment which we proposed would have that money going out by this coming August. And, Mr. Chairman, we have an individual here who could testify regarding the use of the alliance money. Barry Johnson, if he could come up-- He's asked to testify.

SENATOR WEISS: Mr. Johnson.

B A R R Y J O H N S O N: Thank you, Senator. My name is Barry Johnson. I'm the Chairperson of the statewide organization comprised of the 21 county coordinators for alcoholism and drug abuse services. We're in support of the Senate Bill No. 2921 cosponsored by Senators Russo and Ewing, and we're also in support of the amendment that Senator Ewing has introduced.

I think the bill is a good bill in many ways. We think the amendments will assist in drug and alcohol treatment in this State by getting dollars out as quickly as possible to encourage provision of services, rather than discourage, which the 13 months will do.

This is a very reasonable amendment in terms of the fact that we already have a mechanism in place. It's the mechanism called for in the future under the bill -- the Local Advisory Committee of Alcoholism and Drug Abuse in each county. That mechanism would enable these dollars to be used by August 1 of 1989. The timing would coincide with the beginning of the next school year, and would enable communities

to begin working on plans to develop alliances in all of New Jersey's over 500 municipalities, right after the beginning of 1989.

We see no problem in having the dollars spent by the communities beginning on August 1. The concern we have is -- and we feel that we would discourage involvement at the municipal level, particularly, and certainly at the county level -- in the alliances waiting for a minimum 13 months after the passage of the bill before those dollars could be spent.

Communities are ready to fight alcoholism and drug abuse. Many communities have initiated efforts across the State. We think that the bill, in its entirety, is a very good bill that does encourage more services for alcoholism and drug abuse, particularly in the area of prevention. We would urge you to approve these amendments being tacked onto the bill enabling all of us to begin to deal with the prevention side to the alliance as quickly as possible, and to get the \$2 million out of the general fund that's appropriated in the bill to those drug abuse treatment agencies, most of whom now have long waiting lists for services. Thank you very much.

SENATOR WEISS: Thank you, Mr. Johnson. Do you have a--

SENATOR EWING: The only other amendment that should be offered is that we include the word "teachers" in these groups that are made up in the two -- in the county alliance and the local gross and municipal alliances. The word I think was in the bill some time ago and--

SENATOR WEISS: What page are you?

SENATOR EWING: Peggy, in the makeup of the alliances, I think we enumerated certain people. We named certain people.

SENATOR WEISS: Are they in this bill, Jack?

SENATOR EWING: Oh, yes. It's just been left out over the period of a year-and-a-half or two years that we've been working on it, but they were in originally as being members of the alliance groups. That's all. It's a technicality.

SENATOR RAND: County Alliance Theory Committee and municipal. You want to move that amendment? Is it part of the Committee amendment?

SENATOR EWING: It's part of the Committee amendment. I'd like to move the bill with those amendments, Mr. Chairman.

SENATOR RAND: Okay, I'll second it.

SENATOR WEISS: Would you-- Senator Lipman may go first.

SENATOR LIPMAN: I yield to Senator Stockman.

SENATOR WEISS: You yield to Senator Stockman?

SENATOR LIPMAN: I think he's going to ask the same question I'm asking.

SENATOR WEISS: Okay. Senator Stockman?

SENATOR STOCKMAN: To the sponsor, Senator Ewing. This is, of course, a major concern to all of us, this issue of drugs and the problems, particularly in urban areas. I've been aware, but I haven't been close to an apparent difference of opinion or struggle over two bills, as I understand it, one in our house that I guess you're the sponsor or cosponsor of, and one in the Assembly. And that there was growing pressure to try and reconcile the differences, that there was a major question about creating a new, arguably unnecessary, bureaucracy to deal with this issue.

My problem is this: It looks like maybe there's been a breakthrough, and if there has, and if the people who have put a lot of time in it are all now lined up-- I gather this is a matter that has been resolved in both houses and with leadership on both sides?

SENATOR EWING: Well, it's been--

SENATOR STOCKMAN: For instance, I wonder, is this a proposal that the Commissioner of Health, for instance, is comfortable and supportive of?

SENATOR EWING: Well, the Commissioner of Health doesn't want to admit that alcohol and drugs are a health issue

because she doesn't want her Department-- The main contention was between the Attorney General and myself. There are two bills. I brought out a bill first, and then his Department came along with a bill a couple of months later. The alliance operation was going to be directed in his bill out of the group, the Governor's Council, which was in, but not of Treasury. Mine was going to be working out of the health group in the Department of Health, the Division of Alcohol and Drugs. We've reconciled this through the pressure that the Attorney General brought statewide, and everything like that, on people. We're letting it stay over in the Treasury section.

So, there's no disagreement. In the discussion of the bill in committee, which was released, we merged Russo's bill with my bill, because Russo's was the Attorney General's bill.

We merged the two bills, but in the course of merging, someone had also put in these dates, and in getting them defined carefully, which I brought up that day, it would be 13 months before any money was going to be turned out. This is just criminal; we can't wait that long with the tremendous need for even more than the two million for treatment money.

So that's why these two amendments -- to give the two million to treatment within 90 days, and I can use many times that -- and to start the alliance money through now, so they can get these alliances started, to be formed and be used-- And when the bill takes effect, actually about 13 months from now, they'll be in the regular rotation, and the two million for the alliance will be going through the Governor's Council that way.

SENATOR STOCKMAN: And the bill, as it's now designed, has the broad-based support of the existing people that are involved in the issue of alcohol and drug abuse care? In other words, that was a--

SENATOR EWING: Yes, the general consensus. We finally agreed that this is the way to go, and I would say that's from every group.

SENATOR STOCKMAN: Based on that representation. Thank you.

SENATOR WEISS: Thank you, Senator Stockman, Senator Ewing. Mr. Crowley of the Attorney General's Office is here to testify. Thank you very much, sir, for your testimony. Dennis. D E N N I S P. C R O W L E Y: Thank you, Senator. As Senator Stockman indicated, this bill does represent a consensus among the many groups and individuals who have been discussing this issue for the last two years. S-2921, in fact, as it came out of Senator Codey's Committee, has the unqualified and total support of the Governor's Task Force, a working group of Cabinet members he put together some two years ago to explore and make recommendations on this issue.

The question before you today, however, is a much more narrow one, and it deals with amendments that were proposed at the alluded to staff meeting on Friday. I haven't seen the amendments yet, but if I understand them correctly, those amendments indicate that the \$2 million for treatment services should be given out within a 90-day period. I can speak for the Attorney General and for the Cabinet working group on this matter, and that's a very acceptable, very positive change. There was never any intention to have that treatment money anything but immediately available to the folks who need it so desperately.

And also there was another change that was discussed with the inclusion on education personnel at the local level, NJEA and so forth in the local alliance councils. That also was something that was in the original bill when it was in the Assembly, and we have no problem with that either.

If I could ask to see the wording of the amendment that deals with the alliance, I think I'd be better able to comment on that.

SENATOR WEISS: Hey, no prompting the witness. Dennis, get back there.

SENATOR EWING: No sidebar conversations.

SENATOR WEISS: No sidebar-- Come on, I want to hear what's going on.

MR. CROWLEY: Well, he wouldn't let me read it until he talked to me about it. If I can bear--

SENATOR WEISS: It's really gotten out of hand.

SENATOR EWING: Dennis, what this would do is simply get the alliances rolling now, and once the bill became effective, and the money started going through 13 months from when it's signed, the alliances would already be up and operating, and they would still then go through the group that you have over in the Governor's Council. It would not have anything to do with Health. And this two million now, we feel, would stimulate those. We understand that through the Attorney General's efforts, there has been a great deal of interest out there in the local alliances.

Rather than saying to a local alliance, "Now, can we please get going?" they say, "Fine, we'd like some funds," and we say, "Let's wait until August -- 19 months." That's a long ways off. They're going to sort of back off on that and say, you know, "Come to us then." We feel with this money being made available now, they can get the local alliances up and working and start this right away.

MR. CROWLEY: The other thing that troubles me, Senator-- Mr. Chairman, if I may, through you? The item that troubles me about this particular amendment, is that it reverses the system that was so carefully put together by yourself, and the Attorney General, and many others in the negotiations for this bill. And that system, very briefly, was that there be formed first the Council -- the Governor's Council on Drug and Alcohol Abuse and Prevention -- and that secondly, that Council put together, through regulations and guidelines, the Alliance Program, and that thirdly, the alliances formed at the local level would take the guidelines,

develop their programs, feed those programs to the LACADAs, which are under the bill reformed from LACAS into LACADAs, and that those plans would be evaluated and approved by the Council, and funds would be then distributed.

I must tell you that for everyone to work so hard to get that system written into statute, and then the first thing for us to do is to circumvent that process by distributing the money through another mechanism, is counterproductive. For that reason, we would ask the Committee to very wholeheartedly support the immediate, or within 90-day appropriation of the treatment money. But that the appropriation for \$2 million to the alliance funds, either stand as it was developed by Senator Codey's Committee, or at the very least, if you'd rather not appropriate that money, that money can be appropriated through the budget process for FY '90.

SENATOR RAND: Now--

SENATOR EWING: Come on, FY '90.

SENATOR RAND: Wait a minute. Mr. Chairman?

SENATOR WEISS: Senator Rand.

SENATOR RAND: Could you explain that again? There are a few of us here that have to have it slowly, as the Chairman says.

MR. CROWLEY: Where would you like me to recycle back to?

SENATOR STOCKMAN: LACAS and LACADAs.

MR. CROWLEY: Okay.

SENATOR WEISS: We don't know what a LACADA is.

MR. CROWLEY: Currently there is a group that is structured at the county level to deal with alcohol treatment programs, they're called LACAs. Under this bill, they would be reconstituted and expanded in authority and responsibility to deal with drugs and alcohol problems, something that the Legislature and the public have been crying for for some time

-- the unification of drug and alcohol programs under one umbrella. The bill also does that within the Department of Health.

They were called LACAS. Now we call them LACADAs because drugs have been added as a responsibility. They play a very important part in the alliance. They are the agency that collects and assembles the various local alliance plans and forwards them to the Council for the Council's review -- the Governor's Council -- for the Council's review as it interfaces with the statewide master plan for drug and alcohol abuse prevention.

Once those alliance plans are approved, grants are awarded for each of them, and that process reverses itself in which the money -- once approved by the Governor's Council -- goes back through the LACADAs to the local alliance committees.

SENATOR WEISS: When would that be done, sir?

MR. CROWLEY: Under the bill, in a normal annual cycle that would be done-- The Council would receive the plans in August.

SENATOR RICE: Of next year?

MR. CROWLEY: Of next year.

SENATOR RAND: And they'd be given out in September or October?

MR. CROWLEY: I'm sorry?

SENATOR RAND: When would they be given out?

MR. CROWLEY: The plans would have to be approved by October, and they would then be included in the State Master Plan which is due to the Governor and the Legislature on December 1 under the bill

SENATOR RAND: So they would be naming those groups that get the money in September and October?

MR. CROWLEY: Yes.

SENATOR RAND: So that throughout the State those people would know at that time that they're getting the money?

MR. CROWLEY: Yes.

SENATOR EWING: What year?

SENATOR RAND: 1989.

MR. CROWLEY: Well, now see--

SENATOR EWING: No, that's a lie.

SENATOR RAND: Okay, well, that--

MR. CROWLEY: Now, Senator, if I may back-- It's not a lie. Let me just walk you through the process. Let's assume that this bill--

SENATOR RAND: Let him finish, Jack.

MR. CROWLEY: Let's assume that this bill is signed by the Governor in the very near future. (Committee members conferring) Let's assume that this bill is signed by the Governor in the very near future, once constituted local alliances would be required to submit their alliance plans to the Council this coming July -- July of 1989. It's an appropriation from the non lapsing DEDR Fund. Maybe I should explain that as well.

SENATOR WEISS: Senator Rand, do you have anything else?

SENATOR RAND: No, I'm listening to the explanation.

SENATOR WEISS: He stopped.

SENATOR RAND: No, no, he didn't stop. He was waiting for us to listen to him because he thought he was talking in a vacuum.

MR. CROWLEY: The alliance plans, Senator, are funded by the bill, once again from what we call the Drug Enforcement and Demand Reduction Fund, which was established in the Comprehensive Drug Reform Act of 1987. That creates a penalty or a fine for convicted drug offenses at a minimum of \$500, to be dedicated exclusively to prevention, education, community awareness, and drug and alcohol abuse prevention efforts. That is called the DEDR Fund. It's currently located in the Department of Law and Public Safety.

This bill before you would transfer it from the Department of Law and Public Safety to the Department of the Treasury, along with the Council. The bill also proscribes that no money can be appropriated from the DEDR Fund unless it is for the alliance.

Now, if this bill were to appropriate \$2 million today, as it does before you now, that \$2 million would be available to the Council as soon as they had received the alliance plan, and only for alliance plans. Conceivably, that money could be awarded to local alliances as early as October of next year, if the money were available to the Council by appropriation.

SENATOR RAND: 1989?

MR. CROWLEY: Yes. Now, the plans they submit, once again, are collected and assembled for inclusion in the State Master Plan, which is December 1 of every year according to the bill. Along with the Master Plan are budgetary recommendations for the following fiscal year.

SENATOR RAND: For July 1 of 1990?

MR. CROWLEY: Right. Which would be FY '91.

SENATOR RAND: Right.

MR. CROWLEY: So it's a cyclical thing in which plans are assembled, evaluated, made comprehensive, and recommendations are made for budgets. Budgets are evaluated, deliberated, and passed by the Legislature, and appropriations are made.

SENATOR RAND: Why would you announce it in October of 1989 if it won't be funded until Fiscal Year 1990/1991?

MR. CROWLEY: Okay, the plans would be announced. The plans would be approved by the Council as early as October of this year.

SENATOR RAND: Of this year?

MR. CROWLEY: Yes, October of this year.

SENATOR RAND: Not the plans.

MR. CROWLEY: If funds from the non lapsing DEDR Fund were available to the Council, grants could be made to those alliance funds at that time.

SENATOR RAND: When would that be?

MR. CROWLEY: That would be as soon as the plans were approved. Now for an amendment at this point to place -- let's call it the "jump start money" -- to place the jump start money for the alliances in a system other than the alliance mechanism that we have worked for two years to create and have come to a consensus on, belies the fact that that alternative mechanism will probably operate no faster than the alliances once they're up and running, because the bill has to restructure the DEDR Fund-- Pardon me, the bill has to restructure the LACADAs as well. It also creates LACADAs in several counties which currently don't have them.

SENATOR RAND: I have no problem with what you explained. The problem that I got under your explanation is, why would you announce that those people are going to get the money in October of 1989, when you're not even going to give them money until the '90/'91 budget? I mean, it seems that that's just the wrong way to go at this particular time.

If you're going to give the money out, you make the announcement that you're going to give the money out. I've never heard of anything six months or eight months before you give money out.

What particular reason is there to give money out or to announce it eight months before it's put into the budget to give out that money?

MR. CROWLEY: Once the plans are approved, Senator, and they're included in the annual Master Plan for the State in December, you do not necessarily--

SENATOR RAND: December of 1989?

MR. CROWLEY: Well, December of any given year.

SENATOR RAND: Well, I mean of -- for your bill.

MR. CROWLEY: All right, let's say December of 1989. And if the Legislature provides an appropriation from the DEDR Fund to the alliances, then it stands to reason that what you have already done is fund the approved alliance programs.

Now, the bill before you today has that \$2 million appropriation in it. The earliest it could actually be distributed in the form of grants would be October of this year. The very latest it could be distributed in grants would be-- Well, it would be-- It's a non-lapsing revolving fund. It could be there forever.

But what our plan is, is to get the Council up as soon as possible, and the bill requires 120 days to get the alliance up and running as soon as possible and to get these programs working from the grass roots, up.

Now, the dates that are important in that process are July 1, October 1, and December 1. By October 1, if we have approved alliance plans, then in theory they're fundable immediately. If we have an appropriation, which you give us under this bill, we could fund it. If we don't have an appropriation, which you would give us under this bill or some other bill, then we would have to wait.

SENATOR RAND: Well, there is a four-and-a-half million dollar appropriation in here.

MR. CROWLEY: Well, two is for treatment, two is of the alliance, and \$500,000 is to the Council for administrative purposes.

SENATOR RAND: So then there is no other-- There is no appropriation for those groups?

MR. CROWLEY: Yes, the two million is for the alliance. Yes, that's from the DEDR Fund. Our recommendation would be -- once again, Mr. Chairman, if I might-- Given the history of this legislation and given the need to get moving on it, I would suggest, hopefully, that the Committee would amend the bill to put the 90-day spending restriction on the

treatment money, make the change regarding educational personnel, and release the bill.

SENATOR WEISS: That's just about everything, isn't it, Dennis?

SENATOR RAND: Which would then carry it into next year, according to that \$2 million?

MR. CROWLEY: Yes, sir. Yes.

SENATOR RAND: I have no objection to that except the October 1 reporting about naming those people who are not going to get the money until it's announced in December, or whatever it is. I would hope to eliminate that October 1 announcement. I don't think you announce it to people before you give them the money.

MR. CROWLEY: The October 1 is not necessarily an announcing. Maybe I didn't explain it properly, but the October 1 time frame is the time in which the Council must receive back from alliances any plans that they have reviewed and called for recommended changes.

SENATOR RAND: And do they name the specific groups that--

MR. CROWLEY: Oh, sure.

SENATOR RAND: And they name the specific groups then?

MR. CROWLEY: Yes, the Council would know at that time who the groups are and how much money they would be getting.

SENATOR RICE: Mr. Chairman?

SENATOR EWING: Mr. Chairman. Mr. Chairman?

SENATOR WEISS: Senator Ewing.

SENATOR EWING: If you follow the chronology in the bill itself, this bill is not going to be signed in the next few weeks or something like that. "Prepare by July 1 of each year," so that's going to be by July 1 of '89. "Review each county alliance plan for awarding the alliance grants by October 1." That's '89. "Submit to the Governor and the Legislature by December 1." That's '89. "Distribute grants

upon the recommendation of the executive director of the Council by August 1." That's '90. So that money will go out in 1990.

All I'm asking for is that we put the \$2 million that comes from the DEDR Fund, that's money that's sitting there -- there's \$3 million -- a little over 3 million in that account now -- to let these people start getting up and start running, and once the bill is signed and goes into effect, then the regular cycle will go on. Nobody is going to change it all, but at least it gets some help out there. There is already. If Barry Johnson-- I'd like Mr. Johnson to come up again and explain what is happening out there with the local alliances and with the county alliances that they are prepared to set up plans and have it going by next August.

Now if somebody wants to put some language in there that those funds -- that \$2 million is restricted solely to municipal alliances, that's fine. If it isn't all used, just carry it over for the alliance with the new group operating.

SENATOR RAND: And when would it be used, according to your amendment?

SENATOR EWING: What?

SENATOR RAND: When would it be announced and used according to your amendment?

SENATOR EWING: By my amendment it would start August -- this summer, providing they have plans. And what I'm saying is, put a restriction in there so if the money isn't going to be going to municipalities, it reverts back to the alliance fund so when they get set up under this bill, fine. But why wait? This is money that's sitting in a bank account drawing interest now.

SENATOR WEISS: I think, Senator, the problem here is that no one is sure that the money is going to be there when they're going to need it or used for the right purpose. I seem to get that as an undercurrent.

SENATOR EWING: No, that's not true, because the DEDR Fund--

SENATOR WEISS: Well, that's the way I feel.

SENATOR EWING: Well, if that's what--

SENATOR WEISS: I'm not really sure if it's true or not, Jack, but that's the message I'm getting here.

MR. CROWLEY: I'm sorry, what was that again? I didn't follow you.

SENATOR WEISS: The reason for the current-- The reason against the current distribution, is the fact that the money may not, in fact, be there when it's going to be called for or used for some other purpose along the line -- and/or.

MR. CROWLEY: I'm not sure that's accurate. The money-- As long as we keep arresting and convicting people for drug offenses the money will be there.

SENATOR EWING: Well, the Attorney General estimated \$15 million or \$20 million at one time in that Fund.

MR. CROWLEY: I think the more important point to make is that for a piece of legislation to take two-and-a-half years to develop a very intricate and innovative process, and then for that legislation to be amended at this time to circumvent that process, is wrong.

SENATOR EWING: Mr. Chairman, nobody is circumventing the process whatsoever. And if there is any holdup, it was caused by the Attorney General being so insistent that the alliance be under the Treasury. And you know it very well. The Treasury brought-- There were people going out and telling him heads would roll if they didn't go along with the things in Treasury. The pressure the gentleman who came up from Ocean County saying he voted it that way to put it in Treasury because the Attorney General had asked him, and then he recanted it when he came up the next time-- One thing after another. What was behind it, we don't know. But to say this has been held up-- That's the reason: because he insisted on it being.

The people out in the field, Mr. Chairman, all of the people we worked with, Mr. Chairman--

SENATOR WEISS: Yes, sir? I'm listening to you, Jack.

SENATOR EWING: All the people we worked with in the field -- the drug people, the alcohol people, those who were experienced -- wanted to have it in Health. So we finally gave up and let it go in Treasury. This is not circumventing anything. It's to get it started.

MR. CROWLEY: Well, Senator--

SENATOR EWING: You cannot show me in here where they're going to get the money before August of 1990, and I think it is wrong to have that money sitting there.

MR. CROWLEY: Senator, if you'll notice in the bill, 2921, as amended by Senator Codey's committee, there were serious and significant material changes made to the nature of the function of the LACAs. Under Senator Ewing's amendment, it's those LACAs that would be distributing the money. They don't even have enough time to retool themselves to do that under 2921.

SENATOR EWING: Mr. Chairman, I asked if Mr. Johnson could come up. He works in the--

SENATOR WEISS: Senator Ewing, I would be happy to do that for you, but I think Mr. Johnson made his position clear before, and I understood. He--

SENATOR EWING: No. Excuse me, sir, there are other points that I didn't get to--

SENATOR WEISS: All right. I'll let Mr. Johnson come up, Senator Ewing. After that I will call the bill, okay? This is going to be a verbal battle between you and Dennis here, and we can't go on like this for the rest of the afternoon.

SENATOR EWING: No, but I don't want him giving out false information.

SENATOR WEISS: Of course, I understand your position, and that's why I'm going to let Mr. Johnson come up for a moment. Very short, Mr. Johnson, if you can. Stay there, Dennis.

SENATOR RICE: Wait a minute, Mr. Chairman. Mr. Chairman?

SENATOR WEISS: Senator?

SENATOR RICE: Yeah, I have a question for the person representing the Attorney General. And it may sound like-- And I'm sincere about the question. Do you really support this? You see, my problem, Mr. Chairman, is that we keep approving dollars, we have the experience to put in legislation, and we watch legislation get reported on so much in the polls by your Department and by the Attorney General's, and then you come back and ask for appropriations for something that's relevant. For example, you talk about drug and alcohol treatment. But then when you're talking about closing down those places at least until the State can hear appeals, that's creating some of these problems. You say, "No," but then you come back to the Appropriations Committee and say, "Give us money to take care of the problem." You know, I get these contradictions, and I just want to be sure that your support is not political.

I know that Senator Ewing's support is sincere about Health. But do you really support this concept because from your perspective you can't do it in your office, one thing, without putting your other pieces to it? If not, they become ineffective, and I'm just concerned about that because I have to vote on this money.

MR. CROWLEY: Exactly, Senator, and you can rest assured that we completely and totally support this legislation. You'll notice that this legislation in its various requirements and structures, creates the kind of comprehensive approach to the problem that you have called for

on many previous occasions. It creates a Governor's Council which takes all of the individual agencies and groups related to this problem of drug and alcohol abuse, brings them together, and requires them to form a singular, comprehensive, statewide policy, on an annual basis. It's something that you've been calling for for quite some time and we would commend you for that.

To the extent that we are discussing resources today, we are at the end of the line on this bill. But I can assure you that this bill and what it stands for is completely supported -- not by me so much, because that's not important -- but supported totally and completely by the Attorney General and every member of the Governor's Cabinet Task Force on this issue.

SENATOR RICE: Well, I guess my concern is about spending money. I think everybody has a problem with the treatment. But the problem I'm having is that you're talking about Mr. Corporate America, who happens to be an executive at \$100,000 a year or more, with a problem because he has too many martinis at lunch. That's one type of scenario. When you talk about that person at the Pondia Lounge (phonetic spelling), for example, which we have closed down-- The next day the attorney comes to the State, and gives your Department and others -- authorizes them to stay open for another year until they heard an appeal. You're talking about grass-roots folks that have an alcoholic and drug problem because of their environment.

Your Office always opposes us from keeping those places closed or expediting an appeal process, and that's creating the kinds of individuals that have to be serviced by this. That's why I raised the question, are you really serious about the program or is this program -- or are "those with the problem" from an elite group? Because I see contradictory when you come before various committees but you support, from the Attorney General's Office, from the other divisions, diverse as

to what we have to appropriate. And I just want to make sure if we're going to spend this kind of money that it's going to work, because like I said, I'm sure that Senator Ewing is sincere about helping, but I'm not sure where your Department comes from anymore because I see too many contradictions.

You can't support one thing as it relates to this area and then uphold the other, and that's what your Department has been doing. When Senator Rand raised that question as to why these announcements-- The only thing I could think of was the politics of it all, and not being concerned about who gets treated when and how, and what other elements and variables go along with that, like closing those boardroom bars down and keeping them down; like getting the drugs off the street corner, you know, those kinds of things you oppose from your -- maybe not you personally, you speak for those folks you work for. But I'm talking about--

MR. CROWLEY: The Division of Alcoholic Beverage Control has some positions which are in opposition to some bills you've introduced. That's true.

SENATOR RICE: That's all of them which impact on this stuff. But yet they come right back and say, "Give me money." I'm saying, "For what?" You're not resolving the problem just by throwing money out there. So I just want to know is this bill targeted for an elite group of corporate cultural problems of drugs and alcohol, or is it a broad-based bill that's going to try to take in as many people as possible, regardless of their economic status, who are having this problem? Because if it is, then we have to do more on the other side with some appropriations. We have to do more on the other side with some laws.

So I'm sure if all this money should be released some of it, or what--

MR. CROWLEY: Your concerns are sincere and well-founded, and through the Chair, if the Chair would permit,

I could walk you through the provisions of the bill which would indicate, in a very comprehensive way, how this is the kind of program you're talking about and how the resources are, in fact, going to be targeted as effectively as possible to the problem areas that the bill identifies. If the Chair would like me to do that, I'd be happy to do that. If, in the interest of time--

SENATOR RICE: You don't need to do that, Mr. Chairman. I can read quite well. That's my concern because I bring a lot of asset and life experiences to this Committee and that's why I've raised the question, "Are you playing games" -- not you personally -- "with State dollars, people's lives, and legislation we're trying to move to create the whole scenario necessary to evade problems?"

I read quite well. Let me tell you, when I read this stuff I looked at it, and some of it's too broad-based, number one, but with others, the path is very clear. And that's another reason I raised those questions. If you tell me you're sincere about it, then I'll have to reevaluate my thoughts. But I don't see how we can continue to manufacture, if you will, alcoholic persons and drug persons, and then treat them without closing down shop. You understand what I'm saying? I mean, if the President is talking about stopping making missiles, well if the factory is constantly pumping them out, you're never going to stop making them, and that's the concern I have.

MR. CROWLEY: I understand that point.

SENATOR RICE: Okay. I'm sorry, Mr. Chairman, but I have this mind that looks at things objectively, and that happens.

SENATOR WEISS: That's okay, Senator. We understand. Sometimes it happens to the rest of us, too.

MR. JOHNSON: Senator, I--

SENATOR WEISS: But it does happen. Mr. Johnson.

MR. JOHNSON: Yes, just very briefly. I appreciate the opportunity to make some further comments.

This is purely a technical matter we're talking about here. This was raised about a week ago as a technical matter from me to Senator Ewing, in that we have in place now-- My fellow 21 county alcohol and drug coordinators were concerned about the fact that in the bill we would have to wait until August of 1990 for communities to take advantage of this money. We've been beaten over the head time and time again by lip service at the Federal level and the State level and other levels, about dealing with alcohol and drugs. And we're saying, if the money is available and it's being accumulated in a fund and it's there for the taking, let's get it out to the communities as quickly as possible. We're not doing anything in an effort to circumvent, here. We will be, at the county level, the people responsible to administer these funds in cooperation with the alliance in the future.

And not only would it get the money out more quickly to do some good, but it also would speed up the bureaucracy in Trenton to set up this alliance. I'm convinced of it. We work with Dennis; we work with the Attorney General. This would help to get the whole mechanism in place. But it would get the money out more quickly by not trying to circumvent. This is purely a technical matter to get the money out to the community.

Furthermore, we raised the issue of the dollars regarding treatment funds. There is no stipulation in the bill that these treatment funds had to be out quickly either, and there was no intent seen in any of the discussion of the bill. We felt it was very important to make sure that these dollars are out in the community as quickly as possible.

That was the other issue we raised with Senator Ewing. We commend him for looking at those matters in the way that he has and for introducing this amendment. It is purely a technical matter. It is in no way trying to circumvent what's in the bill. We like the bill.

SENATOR WEISS: Thank you, Mr. Johnson. On the bill, we have the Committee amendments, and I'd like to call those for a vote. I think all of you are familiar with them. They're on page 3. On the Committee amendments?

SENATOR EWING: Move.

SENATOR WEISS: Moved. Seconded?

SENATOR LIPMAN: Second the Committee amendments.

SENATOR WEISS: All in favor?

MEMBERS OF COMMITTEE: Aye.

SENATOR WEISS: Opposed? (no response) Hearing none, Senator Ewing's amendment to distribute the DEDR \$2 million pursuant to a formula by August 1, 1989. All in favor?

SOME MEMBERS OF COMMITTEE: Aye.

SENATOR WEISS: Opposed.

SOME MEMBERS OF COMMITTEE: No.

SENATOR WEISS: Let me take a count. (Chairman counts votes)

SENATOR ZIMMER: I vote yes.

SENATOR McNAMARA: Yes.

SENATOR EWING: Yes.

SENATOR RAND: No.

SENATOR LIPMAN: No.

SENATOR WEISS: Three, four.

SENATOR RICE: I abstain.

SENATOR WEISS: Four "nos," three "yes'." I don't have enough votes anyway.

SENATOR EWING: What? What was the roll call again, please?

SENATOR WEISS: Four to three.

SENATOR EWING: Who were they?

SENATOR WEISS: Who were they? Who were they, those who are here. (laughter) There's Senator Rice, Senator Lipman, myself -- here they are written down -- Senator Rand. There must be an abstention. Senator Feldman is not here.

I'll give you a count: myself; Senator Rice, no; Senator Lipman, no; Senator Rand, no; and three yes'. Senator Brown--

SENATOR RICE: Senator Rice abstains, but if you want to count it as a "no"-- You can interpret it in the way that you want.

SENATOR WEISS: That motion is defeated. Further, there's another Committee amendment. The Committee amendment is to remove \$2 million from the alliances and come back to see us budget time, and we cut the administration costs from 500,000 to 300,000.

SENATOR LIPMAN: Mr. Chairman, I move the amendment.

SENATOR WEISS: You move the amendment, Senator Lipman?

SENATOR EWING: Why don't you talk on that one, Dennis?

SENATOR WEISS: Second? Sir?

MR. CROWLEY: Excuse me, Senator.

SENATOR EWING: Why don't you talk on that one?

MR. CROWLEY: It's the first I heard about that one.

SENATOR WEISS: You can't talk me out of it. It's all over. Senator Lipman, second. Senator Rice?

SENATOR RICE: I'll abstain.

SENATOR WEISS: Okay, that's a good number. He abstains. Do I have a second, or would you kill the bill right here and now?

UNIDENTIFIED MEMBER OF COMMITTEE: I'll second it.

SENATOR WEISS: Second. All in favor.

SOME MEMBERS OF COMMITTEE: Aye.

SENATOR WEISS: Well let me take a-- Senator Rice, are you in favor of the amendment?

SENATOR RICE: I abstain.

SENATOR WEISS: You abstain.

SENATOR LIPMAN: Yes.

SENATOR WEISS: Yes, yes. (Chairman taking a count)

SENATOR RAND: Yes.

SENATOR EWING: Yes.

SENATOR BROWN: Yes.

SENATOR ZIMMER: Yes.

SENATOR WEISS: Okay. On the bill as amended.

SENATOR RAND: Just one question, Mr. Chairman: Is that the treatment money now?

SENATOR LIPMAN: Yes, it went out.

SENATOR RAND: That's all.

SENATOR WEISS: It's out.

SENATOR LIPMAN: We got it.

SENATOR RAND: Thank you.

SENATOR WEISS: On the bill. Someone move it.

SENATOR RAND: I'll move it, sir.

SENATOR EWING: You've got a question from the floor.

SENATOR WEISS: What is it, Rick?

R I C K A B R A M S: (speaks from audience) Yeah, on the treatment money in section 21, I just want a clarification. They're still in the bill, and they'll be available 90 days after the date of--

SENATOR WEISS: It will be in -- an immediate effective date. Is that what you wanted?

MR. ABRAMS: Yeah.

SENATOR WEISS: Okay. So let me get back to the beginning. Will someone move the bill as amended?

SENATOR RAND: I'll move the bill as amended.

SENATOR WEISS: Second?

SENATOR RICE: Second.

SENATOR WEISS: All in favor.

MEMBERS OF COMMITTEE: Aye.

SENATOR WEISS: Opposed? (no response) That bill is released as amended. Dennis?

MR. CROWLEY: Sir?

SENATOR WEISS: You just lost \$2 million, but we're happy.

MR. CROWLEY: I'm sure we'll find it somewhere.

UNIDENTIFIED MEMBER OF COMMITTEE: You always do.

SENATOR WEISS: 2603, 2703, Cowan. I'm sorry, 2063. Littell, A-2325. Assemblyman, sorry to keep you so long. If you had come early you'd have been here longer.

A S S E M B L Y M A N R O B E R T E. L I T T E L L: Thank you, Chairman Weiss, members of the Committee. Senator Cowan asked that I come here to speak on our mutual bill. A-2325 and S-2063 were developed by the Governor's Business Retention and Job Retraining Commission, and I can tell you that the bill as it passed in the Assembly, had complete bipartisan support. It passed 79 to 0, with one member absent.

The basic components of the Assembly Bill are that the financing, a .125 out of the employees existing .625 unemployment contribution, would be diverted to a special trust fund for health and life insurance for the unemployed, with the remaining .5 of the employee going to the Unemployment Compensation Trust Fund, where it goes now.

This diversion will yield about \$50 million or \$60 million dollars per year, and the insurance moneys will be used in a special trust fund which will be used to provide minimum health and life insurance coverage to individuals who are eligible for unemployment benefits, provided that the individual has no other coverage. Health insurance will also be available for the families of unemployed individuals who lack coverage and a \$5000 term life insurance policy will be available for the unemployed individual. Coverage will last for the individual's regular and extended unemployment benefit period commencing either 30 days after the workers date of termination or four weeks after the filing of the claim, depending upon when the worker files the unemployment claim that starts his benefit year.

In addition, the worker will be able to purchase up to 31 additional days of coverage when he or she returns to work

if they don't have coverage during that period of time under a covert clause, the same as private employers are required to cover someone who leaves their employment. A special provision would provide that worker contributions will commence on January 1, 1989.

As we originally passed the bill, it would have not been effective until July 1, 1990. I respectfully request that you consider changing that to July 1, 1989 and further amending the loan to come from the Temporary Disability Benefits Trust Fund where there is ample funding available, instead of from the Unemployment Compensation Trust Fund.

The insurance plans will only cover unemployed residents of New Jersey or a state that has entered into a reciprocal agreement with New Jersey to provide health and life insurance coverage substantially identical with what we offer. This would require the Commissioner of Labor to formally assess, every six months, the solvency of the Trust Fund. If the Commissioner determines the reserves of the funds are not adequate to provide for coverage under both plans, the Commissioner is required to provide for an orderly suspension or reduction of coverage or request the Legislature and the Governor to increase employee contributions to the fund, or both. Then we ask for a \$50 million loan, and that's the section that I respectfully suggest that you might transfer to the loan coming from the Temporary Disability Fund.

We've examined this very carefully. We have garnered support from both the labor and business representatives. We've gone out and talked to people in the community about the implementation of it, and I think that we have refined it to a point where it not only will work, but it will last, and not cause anybody any great deal of embarrassment in New Jersey. We want a system that will protect these individuals during the time when they're having tough luck, and we would hope that their tough luck would not last very long, and they'd be able to go back to another job.

SENATOR WEISS: Are there any questions for Assemblyman Littell? Wait, Bob.

SENATOR EWING: Now, Bob, you said something about a loan of \$50 million. Where is the money coming from to pay back the loan?

ASSEMBLYMAN LITTELL: We're recommending now that the loan be made from the Temporary Disability Trust Fund, Jack, instead of the Unemployment Compensation Trust Fund. There are substantial funds in that Trust Fund now for a temporary disability, and it would not do any irreparable harm to borrow that.

SENATOR EWING: But how would it be paid back?

ASSEMBLYMAN LITTELL: It would be paid back from periods of time when we have a surplus in the cash flow from the Trust Fund that we're setting up with this.

SENATOR EWING: What's going to happen when the day comes that we suddenly shoot up to 5% or 6% unemployment in the State?

ASSEMBLYMAN LITTELL: Well, you're bound to hit periods of time when unemployment goes higher than it is now. As you well know, it's lower now than it's been in modern times when you and I've been here. But the Unemployment Compensation Trust Fund is well over \$2 billion, and eight years ago it was in debt about \$780 million. So I think the reforms that we've enacted there have provided enough surplus to get us through the toughest of times.

SENATOR EWING: And what's going to happen if we do go up to 5%, 6%, or 7% unemployment? What's going to happen to this fund? You won't have any money in the--

ASSEMBLYMAN LITTELL: That's the reason that the Commissioner has to monitor it and report to the Legislature and the Governor every six months. We don't want to wait until there's some kind of a catastrophic financial problem. We want him to keep us abreast of what's going on twice a year, and that's required in the bill.

SENATOR EWING: But is there any safeguard in there for the people in the State? I mean, are we going to have to keep funding this once this is in place, regardless of what the unemployment situation--

ASSEMBLYMAN LITTELL: Well, you've got to remember that the State is not paying for this. This is employees' contribution; it's not employers' contribution. Employees' contribution so that the employees of the State are, in effect, pooling their resources to take care of other workers who are out of work through no fault of their own.

SENATOR EWING: But then their rates are going to go up if there comes 6% or 7% unemployment.

ASSEMBLYMAN LITTELL: It could possibly require an increase in those fees at some point, Jack, but we don't know that yet, and we won't know until the program is actually out there. It will do something to reduce the uncompensated care costs in the State of New Jersey, which I know you've been dealing with earlier here today. I won't attempt to burden you with any more, but many of the people that are affected by this program are presently covered under uncompensated care.

SENATOR EWING: Thank you.

SENATOR WEISS: Bob, would you tie that out for me, please? The Committee amendment or information-- The fiscal impact information I have here indicated to me that it was going to come from the New Jersey Unemployment Health and Life Insurance Trust Fund.

ASSEMBLYMAN LITTELL: Are you looking at the Senate bill or the Assembly bill?

SENATOR WEISS: I'm looking at the Senate bill.

ASSEMBLYMAN LITTELL: That's the-- I'm not a bill drafter. It's the Senate version language that we want to use in the Assembly bill, is that right? (Assemblyman Littell confers with nonpartisan staff)

SENATOR WEISS: And you--

ASSEMBLYMAN LITTELL: Just ask the question again for Mr. Devaney, if you would?

SENATOR WEISS: The indication that I have here is that this is coming from the Unemployment Health and Life Insurance Trust Fund.

ASSEMBLYMAN LITTELL: That's the Temporary Disability Fund.

SENATOR WEISS: Yeah, Temporary, right, and that's \$50 million. You are now proposing, as I further understand it, that that money come from the Unemployment Compensation Fund. Is that right?

ASSEMBLYMAN LITTELL: That's the way the Assembly bill was written. The Federal law makes it questionable--

SENATOR WEISS: There must have been some coordination on this thing. Why were they written differently?

ASSEMBLYMAN LITTELL: Well, because--

SENATOR WEISS: And why am I faced with the problem?

ASSEMBLYMAN LITTELL: --at the original time of passage we were advised that it would be available; that we could borrow it from the Unemployment Compensation Trust Fund. We've now been advised that we may not be able to borrow the \$50 million from that Fund, but that we could use the Temporary Disability Trust Fund.

SENATOR WEISS: Oh, you were advised that you couldn't take it out of the Unemployment Trust Fund. Is that what you're saying?

ASSEMBLYMAN LITTELL: That's the way the Assembly bill was written. It needs to be amended.

SENATOR WEISS: I thought I heard you say that that was a Federal requirement; that you do not do that. Is that what it is?

ASSEMBLYMAN LITTELL: Well, we've been told that the Federal government would probably not approve that loan.

SENATOR WEISS: Okay, so you cannot borrow-- According to the information you have, you cannot borrow from the New Jersey Unemployment Health and -- let me shorten that -- Unemployment Health and Life Insurance Trust Fund? You cannot.

ASSEMBLYMAN LITTELL: Right, cannot.

SENATOR WEISS: Okay.

ASSEMBLYMAN LITTELL: That's our information.

SENATOR WEISS: But you can borrow from the other Fund?

ASSEMBLYMAN LITTELL: Yes, that's--

SENATOR WEISS: Now there's the matter of returning it to--

ASSEMBLYMAN LITTELL: To the Trust Fund.

SENATOR WEISS: To the Trust Fund. Now, how do you do that? Can you do it?

ASSEMBLYMAN LITTELL: Yes, in 10 installments.

SENATOR WEISS: Could you tell me what the reason is that you can't borrow from one Fund and yet use money from another Fund and then pay it back? I don't understand the mechanics of this. I understand the mechanics; I don't understand the principle.

ASSEMBLYMAN LITTELL: The Social Security Act of 1983 preempts the use of those Funds.

SENATOR WEISS: It preempts the use of the Unemployment Funds. I mean the Health and Life Insurance Trust Funds, but not the other.

MR. DEVANEY (Staff Aide): Excuse me, Senator, if I might clear this up. The Temporary Disability Benefits Fund is covered by State law only. The Federal government does not get involved in our Temporary Disability Benefits Fund. With regard to the Unemployment Compensation Trust Fund, however, there is a statute which prohibits states from using the moneys in that Fund for anything other than the payment of unemployment benefits. Therefore, the loan request that we made was denied.

SENATOR WEISS: Okay, but you can pay it back in 10 equal easy monthly payments

ASSEMBLYMAN LITTELL: Yes, sir, according to our projections.

SENATOR WEISS: And do they give you a time period for paying it back?

MR. DEVANEY: Well, Senator, it's not a question of having approval. It's a question of whether the Legislature would decide to make the loan from the Temporary Disability Benefits Fund and then impose upon the special Trust Fund for Health and Life Insurance requirements of repayment. That could be done over a 10-year period assuming that the Fund remains solvent and high unemployment didn't hit the Fund too early. If, however, something came up early and the Fund became incapable of repaying the loan, that annual repayment would be postponed a year and then made in the subsequent year when the fund was solvent and able to make the \$5 million repayment.

SENATOR WEISS: Any recurring year when you have the money you pay it back. Is that it, so it could be extended, like forever? I just want to--

MR. DEVANEY: It's not likely that it would be forever, but it would be--

SENATOR WEISS: Well, all right, 10 years, 12 years, 13.

MR. DEVANEY: It could be somewhere between 10 and 20 years.

SENATOR WEISS: Okay, you're not limiting it like two years from now you have to pay it all back, because then you're putting yourself in great jeopardy because that may, in fact, be the situation. Okay. All right, any questions? Senator Brown?

SENATOR BROWN: Where does the money from the Temporary Disability Trust Fund come from?

ASSEMBLYMAN LITTELL: It comes from the contributions of the employees and the employers to the Temporary Disability Fund. The present contribution of the employee is about .5% on temporary disability.

SENATOR BROWN: Okay, and the size of the Fund if it's loaned?

ASSEMBLYMAN LITTELL: About 180 million.

SENATOR RICE: Mr. Chairman?

SENATOR WEISS: Senator?

SENATOR RICE: It sounds like Jessie Jackson's plan for another fund.

SENATOR LIPMAN: Oh, please, don't say that.

SENATOR RICE: I just want to raise one question: I would assume that projecting this thing out would then pay attention to economic indicators as related to recessions. Is that correct? You see, because we said 10, 12 years. My finger in the air tells me that recession may look different a little closer before that 10 or 12 is out, and I would be concerned with whether or not we're going to have increased rates, who's going to be impacted by it, or do we just wipe out something that's being started right now?

ASSEMBLYMAN LITTELL: Well, Senator Rice, the reason we put the provisions in the way we put them in, are: 1) the Commissioner will review the financial conditions every six months; and 2) we require a payback when they're financially able to do it, so that they're not forced to do it in a period of time when unemployment might be high and the draw on the Health and Life Insurance benefits could be higher than normally projected.

But we aimed this thing many different ways and projected it out many different ways, and we think that it's sound the way we have it drafted. It's certainly a new idea. I don't have any crystal balls, and neither does our staff. But we've worked very hard on it, and we've reached out to the

outside community for assistance on this, and I think the advice of the Commission that recommended it and the people that we reached out to, gave us a strong indication that it's a workable plan.

SENATOR RICE: The Commissioner would have to review this twice a year and report back. Does that mean reporting in writing, or is that a personal appearance with written documents before a body such as this?

ASSEMBLYMAN LITTELL: Well, we have a written plan that was submitted by the Department of Labor in the State of New Jersey and we have our own plan that was done by Legislative Services staff right here in the Annex.

SENATOR RICE: So the report will go to those bodies for review and then back to us.

ASSEMBLYMAN LITTELL: Yes.

SENATOR RICE: Okay.

SENATOR WEISS: Is that--

SENATOR RICE: That's it.

SENATOR WEISS: Thank you, Senator Rice. Senator Ewing.

SENATOR EWING: Bob, did you want any models on this thing to show that .125 of the present rate of employment in the State-- How much will go for the Fund each year?

ASSEMBLYMAN LITTELL: About \$50 million or \$60 million a year.

SENATOR EWING: Per year?

ASSEMBLYMAN LITTELL: Per year.

SENATOR EWING: Well, the Fund you said is only 180 million now. Oh, that's the Temporary Disability.

ASSEMBLYMAN LITTELL: That's coming from Temporary Disability. The .125 is coming from Unemployment.

SENATOR EWING: And how much then the-- With the number of unemployed people that are eligible for the program, how much is it going to cost, approximately? Have any models been run on that?

ASSEMBLYMAN LITTELL: Yes, sir.

SENATOR EWING: So, what are the costs at today's unemployment levels?

ASSEMBLYMAN LITTELL: With a 2% unemployment rate-- You have to understand that if the unemployment rate is at 5% that the actual-- The insured, you're probably talking about 2%, so based on that, we're talking about, 32 to 48 million a year. Is that right?

MR. DEVANEY: A cost of 48 a year.

ASSEMBLYMAN LITTELL: Cost, and our projected income for the first year is 100--

MR. DEVANEY: Sixty-three.

ASSEMBLYMAN LITTELL: Sixty-three. I'm sorry, 63.

SENATOR EWING: What? The first year income is what?

ASSEMBLYMAN LITTELL: Sixty-three point eight million.

SENATOR EWING: And you have to pay back 50 of it.

ASSEMBLYMAN LITTELL: We have to pay back 5 million and--

SENATOR EWING: Are you going to pay it back over 10 years?

ASSEMBLYMAN LITTELL: And our cost is projected at 48 million.

SENATOR EWING: In today's market?

ASSEMBLYMAN LITTELL: In today's market.

SENATOR EWING: We don't have 5% unemployment though, we have 3.6 or-- Charlie, what's the unemployment?

ASSEMBLYMAN LITTELL: Yeah, but not all of them--

CHARLES MARCIANTE: Three-five, three-six.

ASSEMBLYMAN LITTELL: Not all of them are eligible.

SENATOR EWING: No, so of the 3.5 or 3.6 you say 2% are eligible?

ASSEMBLYMAN LITTELL: You have to remember that some of the people that are unemployed still have their insurance, and they keep it.

SENATOR EWING: Yeah, they're covered.

ASSEMBLYMAN LITTELL: Yes, so you're not talking about all of the people that are unemployed. You're only talking about the ones who don't have any health benefits.

SENATOR EWING: So today's rate of unemployment, you think, will cost us about \$48 million a year.

ASSEMBLYMAN LITTELL: Yes.

SENATOR EWING: And if unemployment gets worse, that's just going to escalate?

ASSEMBLYMAN LITTELL: That's right.

SENATOR EWING: Okay, thank you.

SENATOR WEISS: Senator Ewing, are you still working on it?

SENATOR EWING: No, I'm not. Thank you.

SENATOR WEISS: Senator Rand?

SENATOR RAND: Assemblyman Littell, the 0.125% of the employee's taxable wages is a new assessment on that employee?

ASSEMBLYMAN LITTELL: No, sir. That's an existing assessment.

SENATOR RAND: That's an existing-- so you're not adding an additional charge on the employee; you're just taking that 0.125 out and putting it in the Fund?

ASSEMBLYMAN LITTELL: That's right.

SENATOR RAND: Thank you.

SENATOR WEISS: All right. Any further questions at this point? (no response) Don't go away, Bob.

ASSEMBLYMAN LITTELL: No, I'll stay right here.

SENATOR WEISS: I'll call-- You're going to have to relinquish one chair because I have Mr. Krause, Deputy Commissioner.

DEPUTY COMM. GEORGE M. KRAUSE: Thank you, Mr. Chairman, members of the Committee. I really only have a brief statement to make. It's really in support of the Assembly version of this particular bill.

The concept came from the Business Retention and Job Retraining Commission, one of its recommendations issued in its October 1987 report. I think its a very timely provision. We did a little survey in the Department and approximately half of the people who are U.I. eligible claimants do not have any kind of health or life insurance. Now, we feel that we've developed a program that can provide this coverage to them and really provide it with existing resources. I know the Governor has said, "If you present me with a new program, present me with the revenues." But we feel that we've identified sufficient revenues -- existing revenues -- whereby we would be diverting .125 from existing collections of employee revenues, employee contributions, and putting it into a special health fund to provide for this coverage that we feel is so desperately needed.

So, again, I'm supporting the Assembly version. We feel it's a version that can be financed with the existing resources that have been identified. At this point, I'd be happy to answer any additional questions, although I think Mr. Littell has handled most of them.

SENATOR EWING: Would this have a tendency to have people not use COBRA then? I mean, how are they going to find out whether an individual really should be taking COBRA, it's just going to go into this plan?

DEPUTY COMMISSIONER KRAUSE: That's probably correct, yes, because COBRA will cost the claimants money out of their pockets. This program is designed to help those individuals that really are not in a position to be paying for that coverage. If they're unemployed, they really don't have the-- We feel they don't have the additional money to put out for health insurance coverage.

SENATOR EWING: How are you going to ascertain whether they can or they can't? I mean, there are, tragically, people who are unemployed, but also there are a lot of them that could have sufficient means.

DEPUTY COMMISSIONER KRAUSE: Well, understand there is no means test in this, Senator. If you're eligible for benefits, you're going to be eligible for this program providing you have no other coverage.

SENATOR EWING: Fine, but let me ask you: When you apply for unemployment, do they just simply state they do not have a job, etc.? They do not ask what their other outside income is or anything like that -- or do they?

DEPUTY COMMISSIONER KRAUSE: Well, not for Unemployment Insurance benefits for that particular individual. Now, if the individual has a second job, then he may not be eligible for benefits. But for the health insurance program, they're going to have to sign an affidavit to certify the fact that there is no other coverage available to the family. In other words, if there is a spouse working that has family coverage, they won't be eligible for our program.

SENATOR EWING: Then how do you ascertain if their statement is correct or not? Do you bother--

DEPUTY COMMISSIONER KRAUSE: Well, we have ways of checking that through the ways of reporting information.

SENATOR EWING: There will be spot checking?

DEPUTY COMMISSIONER KRAUSE: Yes, there will be, Senator.

SENATOR WEISS: Senator Ewing, you're done? Jack, are you through? (affirmative response) George, way back in September, the Department indicated that there was not adequate financing to fund these benefits. Could you tell me what's happened since then?

DEPUTY COMMISSIONER KRAUSE: Well, we have felt that there is adequate financing for the benefits that are described in the Assembly bill. Now, the Senate bill-- The Senate version would cost a little bit more.

SENATOR WEISS: And you make a difference between the two?

DEPUTY COMMISSIONER KRAUSE: Yes, I do.

SENATOR WEISS: Why do you say that?

DEPUTY COMMISSIONER KRAUSE: Well, because the Senate version is a little more -- and I hate to use this word "liberal" -- but it's a little bit more liberal than the Assembly version.

SENATOR WEISS: Well, you can use the word "liberal" in here. We're all right. (laughter)

SENATOR EWING: Say generous. (laughter) With a big "L."

SENATOR WEISS: The roof-- That ceiling won't come down. It outlived the Supreme Court in this chamber, so we can take a chance.

DEPUTY COMMISSIONER KRAUSE: The Senate version would, in fact, cost a little bit more than the Assembly version. And with the existing finances and the way it's structured, we don't feel that there would be sufficient revenues down the road to support that program.

SENATOR WEISS: And you feel that the program in the Assembly bill will do the same? I mean, will--

ASSEMBLYMAN LITTELL: I can tell you one of the differences--

SENATOR WEISS: Yeah, what's one of the differences, Bob?

ASSEMBLYMAN LITTELL: Senator, if I may interrupt--

SENATOR WEISS: Sure.

ASSEMBLYMAN LITTELL: The Senate version provides for immediate coverage in the first four weeks, and that would add 20 million a year to the program. The Assembly version requires a four-week waiting, and of course, saves \$20 million a year.

SENATOR EWING: Mr. Chairman?

SENATOR WEISS: Yes, Senator.

SENATOR EWING: Isn't there usually a 30-day hangover from the company's health insurance policy to when they have to take out their own, not counting COBRA?

DEPUTY COMMISSIONER KRAUSE: Many times there is, Senator. Yes.

SENATOR EWING: Generally?

DEPUTY COMMISSIONER KRAUSE: Yes, generally. Not always, but generally.

SENATOR EWING: But it doesn't have to be a four-week--

DEPUTY COMMISSIONER KRAUSE: Well, that covers--

SENATOR EWING: I mean, it can be a four week--

ASSEMBLYMAN LITTELL: That covers your four weeks.

DEPUTY COMMISSIONER KRAUSE: That was the idea behind-- One of the ideas behind the four-week wait, was that many employees who are terminated will have coverage for 30 days. After that, they would pick up on our coverage.

SENATOR EWING: And this would take them -- meet with existing conditions and everything?

DEPUTY COMMISSIONER KRAUSE: Well, that has to be worked out with the particular carrier. I don't think you'd want to legislate the exact details of the coverage. It may or may not.

SENATOR EWING: I understood from some of the comments that we had, that people would have to be taken with existing conditions.

DEPUTY COMMISSIONER KRAUSE: That may well be. Yes, Senator.

SENATOR EWING: That's going to cause a lot of problems with some carriers. I mean, we're setting up our own operation, are we?

DEPUTY COMMISSIONER KRAUSE: This operation will be covered by a carrier. We're going to put it out to bid. We're not going to be in the health insurance business, per se; we're going to be purchasing from a carrier.

SENATOR EWING: Just like the JUA. (laughter)

DEPUTY COMMISSIONER KRAUSE: I hope not.

ASSEMBLYMAN LITTELL: Come on, Jack, what are you trying to do, ruin my bill? (laughter)

SENATOR EWING: Instead of selling cars they'll sell cadavers to the medical schools. (laughter) No, I'm just worried about how they're going to work out about preexisting conditions.

SENATOR RAND: You're what?

SENATOR EWING: And then also, it sets the-- In one version, I guess the Assembly, the bill also allows "unemployed individuals to purchase continuation coverage up to a maximum of 31 days if the unemployed individual returns to employment." It is not immediately eligible. I think that in some health policies, also, there's a longer waiting period than 31 days, and I think that you can have a gap in there. I think really you should let them-- I think you ought to find out from the industry, generally, what it is in New Jersey with the major carriers and specify that number of days rather than cutting it off at 31. You'll find the guys that have to wait 60 or 90 days, and he has a period of one or two months extra and let him buy it. You're charging him 104% which is-- I guess that's what COBRA is charging.

DEPUTY COMMISSIONER KRAUSE: It's modeled after COBRA?

ASSEMBLYMAN LITTELL: COBRA is 102.

SENATOR EWING: One-hundred-and-two. Well, the State costs more, but I would definitely suggest, Bob, that we increase that to a longer limit. It's paying for it itself. There will be some administrative costs but it's not going to cost the Fund that much more.

SENATOR RAND: Well, if he has coverage, he can't get this coverage.

SENATOR EWING: This is where I'm unemployed and so I run out my -- what is it? -- three months and then I pay for--

They're saying 31 days more, and then suddenly I get a job, but the job I get, that health plan says, "Ewing, you have to wait 60 days before you can join our plan." If I can only buy 31 days, there's going to be 29--

SENATOR WEISS: That gives you 29 in question.

SENATOR EWING: Excuse me?

SENATOR WEISS: That gives you 29 in question. Is there something in there to cover Senator Ewing's situation?

DEPUTY COMMISSIONER KRAUSE: Well, there may be a situation out there-- We assume that -- and the people we talked to indicated that -- 30 days was about your average. Now, if the situation that goes beyond that-- We will talk to the industry and see if there's something that we should consider.

SENATOR EWING: Yeah, but we're passing a bill here. And if it's in the bill, then what if you do actually talk to the industry? Why should we say, "up to 60 days"?

DEPUTY COMMISSIONER KRAUSE: Well, I don't--

SENATOR EWING: Wait a minute, what has the State got to lose? The guy pays 104%.

DEPUTY COMMISSIONER KRAUSE: Yeah, I don't have a problem with that, Senator. I don't have a problem with that as long as the sponsor agrees that-- To us, it wouldn't make any difference, really. We want the coverage for the individuals.

SENATOR EWING: That's right, and I don't think we should leave a gap in there. We're trying to help some people.

DEPUTY COMMISSIONER KRAUSE: That's fine. I don't have a problem with that.

SENATOR WEISS: So, we're going to make it 60 days, Jack?

SENATOR EWING: Yeah, I say at least 60 or something -- a maximum of 60.

SENATOR WEISS: Is there enough money in there to cover that, George?

SENATOR EWING: No, they're paying--

DEPUTY COMMISSIONER KRAUSE: Well, they would be paying it, Senator. So it really-- It wouldn't be a monetary issue for us. It's just an administrative issue.

SENATOR WEISS: Jack, are you through?

SENATOR EWING: Yeah. Sorry, yeah.

SENATOR WEISS: I have a question for you, George, and someone just touched on this before: -- maybe it was the gentleman who preceded you -- what if there's a downturn in the economy, and we're faced with the \$15 million debt and all the expenses that may come with the new program?

DEPUTY COMMISSIONER KRAUSE: We have taken--

SENATOR WEISS: I only put that to you as a matter of question on my part.

DEPUTY COMMISSIONER KRAUSE: Okay. We have taken a look at several different scenarios in the economy in New Jersey and projected out for, I guess, a period of 10 years. And under what we consider to be the most likely economic scenario, the program that's described in the Assembly version will be self-sufficient and will maintain solvency throughout an economic downturn.

Now, of course, if the economic downturn is severe, again, as Mr. Littell indicated, we'll be looking at this thing every six months to see if, in fact, some change in the financing mechanism needs to take place. But we should have that information to us-- We should have it available to us in enough time so that we can present to you a need for change in the financing structure or a need for change in the benefit structure. So that's something that we have thought about and we have considered.

SENATOR WEISS: Okay. Any further-- Senator Rice?

SENATOR RICE: Yes. I would assume that that means the administration is going to spend a little bit more energy trying to make those individuals who aren't employed in urban centers more employable, so we will have that many more people paying in. Is that correct?

DEPUTY COMMISSIONER KRAUSE: That's correct, yes.

SENATOR RICE: So, if we hit that boom, that fore period, we know it's paid into. You know, being the second wealthiest State in this country and having the number one poverty cities, I still say we can't blame Mr. Reagan for that. We can't blame the liberals either. That has got to be State government.

So it seems to me that if we really come out of this thing today with this package, I think that the Governor could really change his definition of "the politics of inclusion" and the need to include those who are unemployed, those who are uneducated, those who are non-skilled, and pump a lot of money in there to make those things happen, and then we could keep this thing going, I believe.

I just wanted to mention that. You know, and as I say, I like to look at these things objectively.

SENATOR RAND: Be optimistic, Senator Rice. Be optimistic.

SENATOR RICE: That's right. I will. Next year's governor election--

SENATOR WEISS: Is that it, Senator Rice? (affirmative response) George, I don't see anyone volunteering any more questions for you, so let me go on to the next person. Mr. Marciante, anytime you're ready.

MR. MARCIANTE: Mr. Chairman, members of the Committee, I'd like to thank you for the opportunity of being able to ask your consideration of this legislation to pretty much support the position of the Chairman of the Assembly Labor Committee and the Assistant Commissioner of Labor on these particular bills.

I was particularly heartened by Senator Ewing's proposed amendment that it be extended for 30 days on the COBRA end. I think that's most generous and certainly most fair and will give people some kind of relief in making sure that they are covered, should they have to go beyond the six-month period of benefit.

We have one concern and that is in the area, not on the COBRA end which is the back part of the benefit, but for those few who do not have coverage beyond the period when they are laid off and there is no coverage, which is a minimal number. Our concern at that point is, is it possible for the Committee's consideration that those few people -- that the Department and the various committees of both the Assembly and the Senate can put together a projected cost increase to cover those people who have no 30-day extension beyond the time of their job termination, because they, too, have to have coverage.

We're not trying to put the program into a tax situation where it's not a feasible program. The .125% is the percent that we want to stick with. We're just inquiring what the cost would be, and if it is within the range of still being pretty close to the \$50 million anticipated projection. If so, then we would also like to see those people who don't have that protection, covered. If it does take us beyond that, then of course, that's another matter and we'd have to deal with it at a later time.

SENATOR WEISS: Mr. Marciante, how many people do you think are in that category?

MR. MARCIANTE: Senator, I have--

SENATOR WEISS: Vaguely.

MR. MARCIANTE: I have no idea. You know, I have no idea. I don't know whether the committees have-- If they do-- I can't give you those numbers.

SENATOR WEISS: Okay, we'll have to research it, and it would take some time to do it. But we'll ask the Department

if they can get us those numbers. They may have the methodology and the resources for that. All right. They may have it here. George, can you--

ASSEMBLYMAN LITTELL: We've got somebody working on it for you.

SENATOR WEISS: You have someone, or the Department has someone?

ASSEMBLYMAN LITTELL: Yeah, OLS has got somebody working on it right now.

SENATOR WEISS: All right. I don't want any people going on working at cross purposes. Now, who's going to do it, OLS? George Krause is back there. I thought, if he was going to do it-- Why don't you both do it.

SENATOR EWING: Then take an average.

SENATOR WEISS: Yeah, okay.

MR. MARCIANTE: Okay, sir.

SENATOR WEISS: Don't go away. Senator Ewing?

SENATOR EWING: Charlie, what type of person are you talking about that would fit into this particular category?

MR. MARCIANTE: Most employers fall under the category of benevolent. There are those in other categories and those people who do not provide benefits, immediately after they terminate someone. It's the employees of that employer who have us a little concerned.

SENATOR EWING: Yeah, but he-- For the employer that cuts him off the day he leaves his job, he's picked up by this plan immediately, isn't he?

SENATOR RAND: No, 30 days.

MR. MARCIANTE: No, you've got to wait 28 days, Jack.

SENATOR EWING: But are we going to find out that by doing that, you're going to get a lot of employers doing that to all their employees because they get a lower rate? They don't have to carry them on--

MR. MARCIANTE: No, that won't be factored in as far as their rate is concerned.

SENATOR EWING: Because these must be individuals who are funding their own plans. And if they were doing that-- Or not necessarily?

MR. MARCIANTE: No, not necessarily, Jack.

SENATOR EWING: But they're saving money if when they write up the plan for 400 employees, they tell the carrier the day the guy leaves his job he's off of their health plan. They are getting a better--

MR. MARCIANTE: No, that would not affect his rate. That would not. His rate has already been predetermined.

SENATOR EWING: No, but it will affect his premium that he pays, because he's not paying for those 20 people he laid off. He's doing it on a monthly reporting basis -- his employees. And so he reports 200 one month and the next month he reports 180. He's going to pay a lower premium. Certainly those people should be covered, I agree with you there. They should be given an opportunity because it's--

MR. MARCIANTE: I don't-- It's speculation on my part, but I don't see that as a major thing, you know. Indeed, as I said at the outset, there is a small percentage of people who fall into that category, but the vast majority are covered. As you say, it might be an incentive for employers to take that option and thereby put their premium at a lower rate. It's kind of remote that that would happen. It's kind of remote, not with the kind of sophistication that the Department of Labor has now at its command with the computerized systems. I don't see that really being a big, big factor cranked in. I really don't.

SENATOR EWING: All right. Thank you.

MR. MARCIANTE: Thank you.

SENATOR WEISS: Senator Rand?

SENATOR RAND: Mr. Marciante, you said there was a very small group that falls in that category, and I certainly would want to see them covered. Wouldn't you think that that would not be that expensive, because there are people that are covered for 60 days and more which might overbalance that as far as cost is concerned?

MR. MARCIANTE: Yeah, that's a possibility, too, Senator. That's a strong possibility.

SENATOR RAND: So, I don't see that it's costing a great deal of money if there is a small number. And if the beginning week is four weeks, there are people that won't take advantage of it. That four weeks-- They'll take advantage of it on the ninth week or the tenth week.

MR. MARCIANTE: Right. That's why we ask that they give it-- If they would just take a look and see what the percentage would be, and that balance out-- As you say, there would probably be a balancing out.

SENATOR RAND: Thank you. Thank you, Mr. Chairman.

SENATOR WEISS: Thank you, Senator Rand. Mr. Marciante, thank you. Mr. Kurtz, begin, right dead center -- modification.

MR. KURTZ: I might say at the very outset, New Jersey Business and Industry Association sincerely believes that the concept of health and life insurance for the unemployed workers eligible for unemployment benefits is worthy of consideration. Our Association has worked with the sponsor, Assemblyman Littell, to develop an effective mechanism to implement this concept. The sponsor has met with business representatives and has adopted a number of their recommendations, but at the same time, he has also rejected a number of recommendations, which is why I am here today.

One of the recommendations that we suggested was that we thought it would be a lot better if this Fund would be used for employees ineligible for COBRA; thereby, they would be able

to continue the insurance that they have now. And what we're doing is-- That was rejected. What we're doing now is giving them an entirely new insurance policy.

But there are two significant issues that remain unresolved. One is the funding of this new benefit program. We have heard now for the first time that there's been a significant change in the funding mechanism. The thought before was entirely different than what we see now as a suggested amendment for this bill.

And also, we're concerned about the granting of a special hospital discount to the proposed new Unemployment Health and Life Insurance Trust Fund. We're concerned about that.

The sponsor proposes to have the benefits for this new entitlement program paid for by diverting one-eighth of 1% of the employees' contribution from the Unemployment Compensation Trust Fund to the newly created Health Insurance Trust Fund. The money would come from the Temporary Disability Insurance Fund. That is something that we haven't had a chance to consider. It's completely new. But I might point out that the last figures that I saw-- The Temporary Disability Insurance Fund pays out in excess of \$200 million annually in claims, and they have less than a year of reserve of \$180 million. If you take that \$50 million out of that Fund as a loan, that leaves that fund with perhaps a little over a year -- I'm sorry -- a little less than a year in reserves. So we're concerned about using that approach.

I think Assemblyman Littell had a better approach in his original bill, where he suggested that the one-eighth of 1% be accumulated for 18 months and then thereby developing a fund of approximately \$125 million before benefits would be paid out.

He is-- Unbeknownst to us, he has just changed that approach, and he wants the Fund to start in July instead of 18 months later. I think that's a serious concern that we might

have. How it's going to work, I don't know. I'm not prepared at this time to address that.

By diverting this employee tax, we feel it shifts the responsibility of a benefit that was granted to employees in 1984 onto the shoulders of employers -- to our records and our recollection. In 1984 we considered -- we amended our unemployment compensation audit to provide for dependency benefits -- dependents of claimants. The money for that benefit was to come from this one-eighth of 1%, and the employee contribution was increased one-eighth of 1%.

Now the sponsor plans, or proposes to take that one-eighth of 1%, which initially was proposed to pay dependency benefits, and now the cost of dependency will be imposed on employers. We oppose this provision. We have some suggestions to correct it, but with today's unusually low unemployment, the cost of dependency benefits is far less than originally projected.

In times of economic downturn, dependency benefits could cost a great deal more. And, as I pointed out, this was another standing when this agreement for dependency benefits came about. We don't think it's right now, for the State to take that money that was earmarked for dependency benefits and shift it over to this new Fund.

The other unresolved issue is the special hospital discount proposed for the Trust Fund to be created by this bill. The 10.5 surcharge is currently imposed on all hospital bills to pay for indigent care. This bill, Assemblyman Littell's bill, would exempt the newly created Trust Fund from this surcharge. We fear that this might establish a precedent, encouraging other health insurance carriers in financial difficulties to seek the same type of special treatment.

Furthermore, we don't think that this is the time to exempt anyone from the hospital uncompensated care surcharge. Increases are projected in the surcharge, and we think it's a poor move to make.

We would like to suggest a couple of amendments to this bill: That the present section 13 granting a special hospital discount to the newly created Trust Fund should be eliminated and substituted in suggested language that the New Jersey Unemployment Health and Life Insurance Trust Fund created by section 8 of this act, shall, on a semiannual basis, reimburse the New Jersey Unemployment Trust Fund for payments of dependency benefits made to claimants pursuant to the existing law. So what we're saying is, reimburse the Unemployment Trust Fund for dependency benefits out of this newly created Fund.

With these amendments, New Jersey Business and Industry Association can support the concept embodied in this bill. Thank you. I might just add a few comments. There are some problems with the bill, but we and it haven't been addressed and I--

SENATOR WEISS: Before you do, could you tell me what the cost of this move is going to be -- dependency benefit -- in your estimation?

MR. KURTZ: In our estimation, dependency benefits right now are running under \$5 million a year. It would mean that the new Trust Fund would reimburse unemployment for \$5 million a year. Otherwise, employers are going to have to pick up that cost.

SENATOR WEISS: Mr. Marciante?

MR. MARCIANTE: (speaking from audience) Mr. Chairman, there was a representation made that there was an understanding that the Unemployment Compensation reform regarding the matter of dependency-- I can say to you, that the only organization that deals with that understanding is the organization of the present speaker. All other parties, including the other business organizations, have no recollection of the point being made by the speaker or his organization.

ASSEMBLYMAN LITTELL: Excuse me, Senator, I'll be back. I have to go down for a vote. I'll be back.

SENATOR WEISS: I'll tell you, Assemblyman Littell, we're going to hold the bill. So after we're through talking to Mr. Kurtz and some others who want to talk about it -- so you need not come back -- we'll continue it on December 1.

ASSEMBLYMAN LITTELL: All right. You've got all the information that you need.

SENATOR WEISS: Well, if not, they'll have it. Lester, I'm sorry. Would you continue, please?

MR KURTZ: I might point out to this Committee that this bill will give a benefit to individuals who have no insurance. Right now, if a company does not provide -- and I understand there are 11% of New Jersey employers who do not provide health insurance-- If an individual has a health problem and his employer has no insurance, he will somehow get his employer to lay him off, and he's going to be able to collect health insurance to correct that problem.

Secondly, if an employer-- If an individual is on unemployment and receiving coverage for health insurance, and he's offered a job with a company that does not provide health insurance, he might very well find a way to reject that job because he will not get health insurance. And if he remains unemployed -- on the unemployed rolls -- he will get health insurance. That's one of the concerns that we have with the bill. I'd be happy to respond to any questions members of the Committee might have.

SENATOR WEISS: Thank you. Are there any further questions?

SENATOR EWING: Yes, a question.

SENATOR WEISS: Senator Ewing.

SENATOR EWING: On the uncompensated care, why can't it just be put on the bill? Why should there be a funding back?

MR KURTZ: The sponsor has put a provision in his bill that rejects that this newly--

SENATOR EWING: I realize that. But if we just took that part out so they pay their share of uncompensated care--

MR KURTZ: We'd have no problem with it. We urge the Committee to do that. We would urge the Committee to take that--

SENATOR EWING: Well, we'll have to find out from him how much more it's going to cost -- what they figure their plan is going to cost if they throw in the uncompensated care.

MR KURTZ: If the projection this morning was made that the cost of the bill was roughly \$40-odd million a year, you might want to add, at a minimum, 10.5% on top of that. That is what the additional cost might be for the bill.

SENATOR EWING: Thank you.

SENATOR WEISS: Thank you, Senator Ewing. Any further questions? (no response) If not, Lester, thank you very much, for the second time today, sir.

MR KURTZ: Thank you.

SENATOR WEISS: Come back again. That bill is held until December 1 and we can sort out all the amendments and the pros and the cons. Thanks, everyone for being so patient today.

Senate Bill 2685, Senator Codey, supplemental appropriation of \$5,200,000 to the Department of Higher Education for a grant to Seton Hall. That is to be amended, and the amendments would indicate if they sold that building that we would be repaid in like amount, and the second party amendment is that that not be used for anything but educational purposes.

SENATOR LIPMAN: Mr. Chairman, I move the bill.

SENATOR EWING: Second.

SENATOR WEISS: Moved, seconded. All in favor.

MEMBERS OF COMMITTEE: Aye. (aside from Senator Zimmer)

SENATOR WEISS: Opposed?

SENATOR ZIMMER: No.

SENATOR EWING: Hope they didn't charge for your time coming down. (referring to unidentified member of audience) You can't be a lawyer.

SENATOR WEISS: Senator Feldman, Assemblyman Frelinghuysen and Watson, supplements appropriation of \$750,000 to the Department of Health to expand activities in the areas of--

SENATOR RAND: Move the bill.

SENATOR EWING: But wait, I'd like to know, why are they doing this program now? What are the additional funds for?

SENATOR WEISS: Rick, are you prepared to discuss this matter? The additional-- The Senate bill, Senator Ewing, is going to be amended down to \$750,000.

SENATOR EWING: No, that I understand, Mr. Chairman.

MR. ABRAMS: Mr. Chairman. Yes, the Department is engaging in the program now, but on a much smaller scale. The additional sum of money -- I assume it's the Assembly version or the Senate version that will be scaled back to \$750,000 -- would be to expand the network of services that we have now. I have here with me Barbara Kearn, who is the Director of our Special Child Health Services, who can give you a little detail of exactly what we're doing now and how the additional funds will be used, but the bottom line is that they will be used to expand the current program we have on-line now.

SENATOR EWING: And what's going to happen this coming year then in the budget? What was this program budgeted for in today's budget that we're working on?

B A R B A R A K E A R N: One-hundred-and-fifteen thousand, and that's been in the budget since the late 1970s. We had 115,000 appropriated for this program in the State budget, and it hasn't changed.

SENATOR EWING: And now you're asking for 750 more?

MS. KEARN: We have put approximately between 200,000 and 300,000 of Maternal and Child Health Block Grant funds,

Federal funds, into this program, and there just isn't any more money. The need for services is increasing, and we don't have the support.

SENATOR EWING: No, I'm just wondering what's going to happen in the forthcoming budget, because as I understand it, the departments have been told they've got to hold the line, and that as far as any new programs go they've got to decide whether they're going to give up an old program. And if you're asking for this money now, undoubtedly you're going to put in a much, much bigger request for the budget which we'll be doing in February or March.

MR. ABRAMS: Senator Ewing, if I might-- The additional money certainly was not under the FY '89 Budget and it's unlikely that they would be in our proposed FY '90 Budget. This bill is not a departmental initiative. While we strongly support it and we think it's a worthwhile program, you know, as with all budgetary matters, we-- There are a lot of important programs, and there are a lot of priorities here.

MS. KEARN: The basis for this supplemental appropriation comes from the Governor's Council on Prevention of Mental Retardation, and all of the services that were recommended -- the expansion services -- served as the basis for this bill which was initiated by the Human Genetics Association of New Jersey.

SENATOR EWING: What have been the results so far? Have you been able to create any downtrend on what would be the tragic births that do occur?

MS. KEARN: It's difficult to say. There are some people back here who are more technical experts than I am. We can't tell-- If a child is born with a birth defect and that family has genetic counseling regarding the reoccurrence of that type of defect, we don't know how many families have chosen not to have further children. That would be very, very difficult to measure, Senator.

We're now serving approximately 8700 persons. We had been up to more than 9000. Because of lack of additional funds for the agencies that we support, the number of people are being decreased -- the number of people who have access to this service. This is a service that is really poorly reimbursed by third-party payers for genetic testing.

SENATOR EWING: It is reimbursed?

MS. KEARN: Pardon?

SENATOR EWING: It is--

MS. KEARN: It's poorly reimbursed by third-party payers. The services of a genetic counselor are poorly reimbursed, if at all.

SENATOR EWING: All right. Thank you.

SENATOR WEISS: Thank you, Senator Ewing. Anyone else? (no response) No.

SENATOR RAND: Move the bill.

SENATOR WEISS: Move the bill?

SENATOR RAND: Yes.

SENATOR WEISS: Wait a minute, I have one other person here who wants to talk in favor of the bill. Is there a Cheryl Reed -- Dr. Reed? We may not need you. You want to try it. Do you want to see if we need you or not?

D R. C H E R Y L R E E D Yes .

SENATOR WEISS: On the bill.

SENATOR RAND: I'll move the bill.

SENATOR WEISS: Move the bill. Seconded?

SENATOR LIPMAN: Second.

SENATOR WEISS: Second. All in favor?

MEMBERS OF COMMITTEE: Aye.

SENATOR WEISS: Opposed? (no response) You've got it.
(laughter)

DR. REED: Thank you. You can read my statement.
(laughter)

SENATOR WEISS: Yeah, we'll take a copy of your statement.

DR. REED: I did send some copies up earlier this morning when I arrived.

SENATOR WEISS: Oh, all right. Thank you. I'm sorry we made you wait so long, but sometimes the rewards are easier when you wait so long.

DR. REED: It was worth it. Did you pass it?

SENATOR WEISS: Yes.

DR. REED: Oh, good. Thanks.

SENATOR RAND: Oh, you got it. You're victorious.

SENATOR WEISS: Okay. That was amended down to \$750,000. I have a few more bills: One is a supplemental appropriation of-- I wish I had the number. I do -- 507, 295, 83 and this bill is on claims against the State. One is on moment of silence; the other one was on redistricting. They both came together and were under Federal order to pay the bill. I want to tell you something, guys.

SENATOR McNAMARA: It's like an offer you can't refuse.

SENATOR WEISS: I appreciate your sympathy, but all those who are voting "no" on this thing are going to be incarcerated.

SENATOR McNAMARA: You just talked me into a vote.

SENATOR RAND: And I'll move it for the benefit of my colleagues.

SENATOR WEISS: I want to tell you something, I really don't have guts enough not to vote for it. I'm really against paying it.

SENATOR RAND: I can vote against it if you'd like.

SENATOR WEISS: Let me tell you that this thing has been-- The numbers have been worked out at a rate of interest, I think, that was dictated by the courts. The rate of interest and the date of payment is assumed to be February 2, 1989. So, it's your pleasure. Do you want to move it?

SENATOR RAND: I'll move it.

SENATOR ZIMMER: I have a question, Mr. Chairman.

SENATOR WEISS: I'll answer any question I can.

SENATOR ZIMMER: I'm glad I'm not Chairman of the Committee so I don't have to sponsor this.

SENATOR WEISS: You can vote "no."

SENATOR ZIMMER: Yeah, that's right. I understand-- I mean, I'm sorry that the litigation and the redistricting case ever took place, but I can understand that and I can support, obviously, paying the bills that were incurred officially by the Legislature. Similarly, I can support the appropriation for the argument in the District Court on the moment of silence.

The question I have is about the costs on appeal which were incurred, as I understand it, almost exclusively after the presiding officers of the respective houses had dropped the appeal. They were pursued individually, as I understand it, by the former Speaker and the former Senate President. I've been reading through the opinion relating to the legal fees, and it's not clear to me what the personal liability of the former Speaker and the former Senate President is. They got us into this mess and I don't see why they shouldn't share some of the expense. Is it, do you know, as a legal matter--

SENATOR WEISS: I don't disagree with you, Senator Zimmer.

SENATOR ZIMMER: Have any measures been taken or requests been made for them to help us out here?

SENATOR WEISS: I wasn't involved in the process. To help us out financially?

SENATOR ZIMMER: Yes.

SENATOR WEISS: I doubt it. But as for the legal process that preceded the settlement that's indicated in this bill, I can't answer to that. All I can answer to at the moment is the fact that we have been, by Federal Court--

SENATOR ZIMMER: The copy I have of the October 6 opinion on the May against Cooperman case indicates that they

may have some personal liability. And I really think that we shouldn't have-- There should be some way to deter this sort of thing from happening in the future.

SENATOR WEISS: I think it ought to go right back to the sponsor, to tell you the truth.

SENATOR ZIMMER: To whom, the sponsor?

SENATOR WEISS: To the sponsor of the bill.

SENATOR ZIMMER: That was Jimmy Zangari, right?

SENATOR WEISS: I don't care who it was.

SENATOR ZIMMER: Okay, that's why I am going to abstain on the bill.

SENATOR WEISS: You're perfectly entitled to do that. I wish I could.

SENATOR EWING: The lawyer who should abstain.

SENATOR ZIMMER: Well, I wish I could charge that kind of money.

SENATOR WEISS: On the bill.

SENATOR RICE: I have a question on the bill.

SENATOR WEISS: Senator.

SENATOR RICE: I would have to assume this was before my time. Is that correct?

SENATOR WEISS: Yeah.

SENATOR LIPMAN: Yes.

SENATOR RICE: I just wanted to know: This is a court order, is that correct?

SENATOR WEISS: Well, it's a court order that we pay, as I understand it. And if we don't, the interest keeps mounting day, after day, after day. And that I could read as a direct order to pay up.

SENATOR RICE: If everybody votes "no," then the five would be in violation of the court order. Is that correct?

SENATOR WEISS: Give me that again. What did you say?

SENATOR RICE: If everybody votes "no," we'll probably be in violation of the court order.

SENATOR WEISS: I think-- I'm not really sure about that. Would we be in violation? My answer to that, without legal opinion, is yes, we would be in violation.

SENATOR RICE: I just wanted to be sure because I want to make sure, once again, that the Senator keeps his record clean. As an attorney, he can't promulgate those things.

SENATOR RAND: How can you vote against the Chairman's bill? (laughter)

SENATOR WEISS: Easy. They've done it before.

SENATOR RAND: Is that right? You have no objection then, do you, Mr. Chairman?

SENATOR EWING: Mr. Chairman, I move the bill.

SENATOR WEISS: Move the bill.

SENATOR RICE: I'll second it.

SENATOR WEISS: Seconded. Just keep the Chairman out of the slammer, guys. All in favor?

MEMBERS OF COMMITTEE: Aye. (aside from Senator Zane)

SENATOR WEISS: And one abstention.

SENATOR ZIMMER: Right.

SENATOR WEISS: You dare abstain?

SENATOR EWING: Well, one missing.

SENATOR WEISS: You're a gutsy guy.

SENATOR EWING: One missing.

SENATOR WEISS: One missing. Let's see, one, two, three, four, five-- We have one, two, three -- we have enough -- four, five, six, certainly.

SENATOR RAND: Is that enough?

SENATOR WEISS: Thank you, that bill is released, and I'm free of two years.

SENATOR RAND: What's the next bill, Mr. Chairman?

SENATOR WEISS: The next bill is Senator Gagliano-- Wait a minute. We've got one more. Senator Gagliano, supplemental appropriation of the 310 to the Department of Health to establish--

SENATOR RAND: Move the bill.

SENATOR McNAMARA: Move the bill.

SENATOR RAND: I moved it.

SENATOR McNAMARA: You moved it? You can have it then.

SENATOR WEISS: Moved. Seconded. Lime disease. All in favor?

MEMBERS OF COMMITTEE: Aye.

SENATOR WEISS: Opposed? (no response) Hearing none, that bill is released. Boy, the Department of Health made out like bandits.

SENATOR RAND: Boy, you're not kidding.

SENATOR WEISS: I think they are, too. Let me thank everyone for their participation today. I know it was a rough day and I appreciate the fact that we sat through the whole thing.

(MEETING CONCLUDED)

SENATOR RAND: Move the bill.
SENATOR MCNAMARA: Move the bill.
SENATOR RAND: Moved it.
SENATOR MCNAMARA: You moved it? You can have it then.
SENATOR WEISS: Moved. Seconded. Time expires. All.

MEMBERS OF COMMITTEE: Aye.
SENATOR WEISS: Opposed? No response. Hearing none.
That bill is related. Boy, the Department of Health made out
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SENATOR RAND: Boy, you're not kidding.
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everyone for their participation today. I know it was a rough
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(MEETING CONCLUDED)

APPENDIX

APPENDIX

I. Introduction

I am here today to testify in support of S-2981, a bill

TESTIMONY OF COMMISSIONER MOLLY JOEL COYE, M.D., M.P.H.

I would also like to tell you some of the consequences

SENATE BILL No. 2981

does not continue.

NOVEMBER 21, 1988

II. S-2981

This bill is entirely consistent with what we have

learned about uncompensated care- who causes it, how it is paid

for, and how to reduce it- over the past two years of intensive

study and consultation with the Department's Steering Committee on

Uncompensated Care, the legislatively created Trust Fund Advisory

Committee, and local and national experts in this field.

The key features of S-2981 which I support are:

o The continuation of the Trust Fund, financed via

the uniform statewide add-on

o The imposition of stringent collection procedures

o a two-tier system of emergency room pricing

o pilot programs to increase private health

insurance coverage

o requiring college students to have health

insurance while in school

I. Introduction

I am here today to testify in support of S-2981, a bill that would continue the Uncompensated Care Trust Fund.

I would also like to tell you some of the consequences that will ensue, if this bill is not passed and if the Trust Fund does not continue.

II. S-2981

This bill is entirely consistent with what we have learned about uncompensated care- who causes it, how it is paid for, and how to reduce it- over the past two years of intensive study and consultation with the Department's Steering Committee on Uncompensated Care, the legislatively created Trust Fund Advisory Committee, and local and national experts in this field.

The key features of S-2981 which I support are:

- o The continuation of the Trust Fund, financed via the uniform statewide add-on
- o the imposition of stringent collection procedures
- o a two-tier system of emergency room pricing
- o pilot programs to increase private health insurance coverage
- o requiring college students to have health insurance while in school

o requiring employers to provide information on health insurance to their workers

These are all very important steps that will contain the rise of uncompensated care and perhaps, in time, even reduce its cost.

The Uncompensated Care Trust Fund has been remarkably effective. It has ensured competitive equity among New Jersey hospitals; it has ensured continued access to care for residents of our state; and it has maintained a broadly-based financing mechanism to reimburse hospitals for their bad debt and charity care. I would like to discuss each of these concepts.

A) Access to Care

Last year alone, almost 80 hospitals in the U.S. were forced to close for economic reasons. The primary cause is not enough patients who can pay their bills. Our newspapers are increasingly filled with stories about "patient dumping"- sick people not getting needed care because hospitals will not admit them without health insurance. Generally these stories come from the deep south and the southwest, from states where the Medicaid program does not cover many people and where uninsurance is high. Just recently, though, a patient dumping case in Philadelphia received wide attention-- a woman in need of surgery for breast cancer was denied admission to a Philadelphia hospital because she had no health insurance and could not pay for the surgery in advance.

No such stories have been written about hospital closure and patient dumping in New Jersey because it doesn't happen here. This is because we have a system in which hospitals get reimbursed their full costs of providing uncompensated care. In contrast with the rest of the nation, the stories we hear in New Jersey are about people who do get needed care:

- o The delicatessen counterwoman with an income of \$7,000 per year who did not have health insurance and could not get Medicaid because he was above the Medicaid threshold. Because he lived in New Jersey he was able to get the heart operation that he needed.

- o... The widow who could not afford to buy COBRA, the federally mandated extension of health insurance, after her husband passed away. Because she lived in New Jersey she was able to get needed care for kidney disease

- o... the construction worker who was temporarily laid off from his job and whose home was destroyed in a fire. Because he lived in New Jersey he was still able to get the operation that he needed.

Our system has won national recognition for its ability to ensure access to needed hospital care for those who cannot afford it. But I have been all too conscious of the need to keep uncompensated care costs as low as possible, and to require that all those who can afford to pay for their hospital care do pay. Let me describe for you some of the programmatic and technical

improvements that have been made in the Trust Fund over the past two years with the advice and help of our Steering Committee on Uncompensated Care and our Trust Fund Advisory Committee as well as national expert advisors.

o Charity care regulations which codify the steps necessary to ascertain a person's eligibility for charity care have been adopted.

o A series of financial ratios have been developed which will alert our staff to hospitals which have a sudden, unexplained increase in their uncompensated care. This will allow us to pinpoint potential problem hospitals very quickly so that corrective actions can be taken.

o Cost reduction demonstration programs are now in their second year. These programs have attempted to lower uncompensated care costs through the triage of non-emergent patients to less costly hospital based clinics or community health centers.

o Strict hospital collection guidelines have been approved by the HCAB. These guidelines mandate the type of information that hospitals must collect for patients without evidence of health insurance, and the series of steps that hospitals must take and document to show that they have made a good faith effort to collect money from patients before they seek to collect from the Uncompensated Care Trust Fund.

o The Rate Setting Commission has applied stringent penalties to hospitals which, upon audit, have not taken or documented the necessary procedures to collect money from patients.

Over \$5,000,000 in penalties have been recommended through this mechanism.

- o We have successfully worked with the Medicaid program and County welfare systems to improve the ability of some of our largest hospitals to enroll people who are eligible for these programs while still in the hospital. One hospital reports that with an expenditure of \$30,000 they expect to recoup \$6,000,000 for care which would have been uncompensated.

Two features of S-2981 are also important in this regard:

- o Placing the requirements for hospital collection procedures in the law will make even more clear that hospitals must make every effort to collect money from patients who can pay their bills before turning to the Trust Fund. Moreover, the legislation will still allow me to impose additional or more stringent steps in the process when they are warranted.

- o The legislation would require hospitals to bill non-emergent patients who use the emergency room at a lower rate than for patients who are true emergency cases. This is vital because a significant amount of uncompensated care costs are for non-emergent visits to emergency rooms.

B) A broad base to support uncompensated care:

Uncompensated care could cost as much as \$500,000,000 in 1989, almost 10% of total hospital revenues.

We finance uncompensated care by means of a surcharge on hospital bills, and there are seven major payers of those bills.

o the 89% of New Jersey residents who have health insurance pay indirectly for uncompensated care through slightly higher health insurance premiums.

o Out-of-state users of New Jersey hospitals pay for uncompensated care directly through their hospital bills.

o Out-of-state employers and insurers of New Jersey residents also pay for uncompensated care through hospital bills.

o Self-insured companies and individuals pay for uncompensated care through their hospital bills.

o State, federal, county and municipal government pay for uncompensated care through their health insurance premiums

o The state Medicaid program pays for uncompensated care along with, and equally with other payers

o The federal government pays for uncompensated care in New Jersey through its half of the costs of the Medicaid program and in 1988, through the Medicare program.

This last point regarding the Medicare program requires some explication

For the past 9 years New Jersey has had a waiver from the federal Medicare program that allowed the state to set Medicare payment rates at the same rate as other payers. Because New Jersey's hospital rates were lower than those the Medicare

program would have paid through its own system. This made it possible for Medicare to pay its equitable share of uncompensated care. Because Medicare is responsible for almost 46% of hospital revenues in New Jersey, Medicare paid for almost 46% of uncompensated care costs. Over the years since 1984, Medicare has reduced its federal reimbursement rate to hospitals while New Jersey has not. 18 months ago, Medicare's national rate had decreased enough to cut into the savings of our New Jersey system, and Medicare began to pay less than its full share of uncompensated care cost. Therefore, in order to maintain the Medicare waiver, and with the concurrence of the hospitals and the payers, we have been forced to shift increasing amounts and now virtually all of the uncompensated care obligation that Medicare was carrying onto the remaining payers of care. In fact, in 1988 Medicare will pay only about \$25,000,000 of uncompensated care.

We have no expectation that the Medicare waiver will be in effect after December 31, 1988. As a result Medicare will only take responsibility for the bad debt of its own patients- that is the elderly or disabled who may not pay their co-payments or deductibles. For the last year the Department of Health has been working with the major payers and the hospitals through its Joint Hospital Payer Task Force to develop a reimbursement system for 1989 and beyond. This Task Force has been addressing the issue of how to allocate any Medicare underpayment (or overpayment) that may result if the federal government continues to cut its rates. This is not an uncompensated care issue and I have the concurrence

of the payers and the hospitals that it should not be addressed in this bill.

For all these reasons, I feel strongly that the financing mechanism of the Trust Fund provides an extremely broad base through which to spread the costs of uncompensated care. I would add that other financing mechanisms studied by the Trust Fund Advisory Committee and the Steering Committee on Uncompensated Care would not result in as broad a base and would exclude the out-of-state and governmental payers from contributing.

C) Competitive Equity

The Trust Fund was established in 1986 to ensure that hospitals with a high uncompensated care burden would not have to charge higher rates due to their uncompensated care costs. Rather than have each hospital add its specific uncompensated care costs to its DRG rates, the Trust Fund established a statewide uniform add-on to all hospital bills. Up to this point the Trust Fund has worked quite simply. Hospitals which collected more from this add-on than they needed have paid, the electronic funds transfer, into the Trust Fund. Hospitals needing more than they collected drew down from the Trust Fund. Through the mechanism of the Trust Fund we have been able to keep all of New Jersey's hospitals competitive with one another, independent of their uncompensated care load.

The Cap:

Having said all this in support of S-2981, I want to specifically address the issue of the cap that this legislation would impose on the amount of money collected and redistributed through the Trust Fund add-on. This legislation, in section 6B would limit the increase in the ratio of uncompensated care to total hospital revenues to no more than 1 percentage point above the ratio in effect on January 1, 1989. While I fully understand the need to control uncompensated care costs, I must point out the constraints this cap imposes. Since 1980, the fundamental principle of our rate setting system has been that hospitals will be reimbursed for 100% of their reasonable uncompensated care costs. If the amount of uncompensated care necessary exceeds the limitation imposed by the cap, hospitals will have to recover a significant amount of this sum through individual adjustments to their rates. Under the cap provision, hospitals with uncompensated care greater than that which the statewide add-on can accommodate will receive only part of their uncompensated care through the Trust Fund, and will have to receive the remainder through hospital-specific rate adjustments. This means that hospitals with high uncompensated care will have a higher add-on, and thus will charge higher rates, than those with low uncompensated care. In essence, we would be recreating, though to a lesser extent, the conditions that necessitated the Trust Fund in the first place.

We will interpret this legislation in a way which permits the distribution of the Trust Fund money as equitably as possible among hospitals in order to flatten out the rate distortions caused by this cap. However, perfect equity cannot be achieved. I am pleased to note that section 17 permits me to come back and explain to you the need for adjustment when these rate distortions become substantial.

III. Are there other solutions to the uncompensated care problem?

Our work with the Trust Fund Advisory Committee and other groups has suggested that the single best way to lower uncompensated care costs is to increase the number of people who are covered by health insurance. There are 850,000 New Jersey residents who do not have health insurance at present. This represents 11% of the population. For your information it should be noted that over 15% of the national population is uninsured and this ranges from 9% in Connecticut to over 25% in Oklahoma. Thus we are doing quite well, but not well enough.

There are both public and private solutions to the problem of uninsurance. Let me describe for you some of what we have done in the public sector to increase the number of people with health insurance:

o New Jersey has increased the number of people in the Medicaid program. This not only reduces the number of people without health insurance coverage, it also directly reduces uncompensated care costs. Moreover, half of this cost is borne by the federal government.

o Over 7,000 Medicaid-eligible women are now covered under the state's HealthStart program.

o As I noted above, we have improved the ability of hospitals to directly enroll eligible people in public assistance and insurance programs.

Many of the provisions of S-2981 seek to increase the provision of private health insurance. In order to better explain how these would work, let me refer you to this Chart of Uninsured New Jerseyans. As you can see, 42% of the uninsured are employed adults and we estimate that another 30% are the uninsured dependents of these workers. Other research tells us that the majority of these workers are employed in small businesses- with less than 20 people. A study that the Department is undertaking in cooperation with the New Jersey Business and Industry Association and the Hospital Research and Education Trust indicates that uninsured working adults and their dependents are responsible for the majority of uncompensated care. The most direct way to reduce uncompensated care would therefore be to get health insurance for these workers. There are two provisions of S-2981 that would be helpful in this regard

o Section 16 would implement a pilot program to subsidize the cost of health insurance for small employers. The program would subsidize the cost of health insurance for small groups not likely to be insured due to affordability and determine how the plan must be structured to ensure that the groups will continue to purchase the insurance after the subsidy is phased out over 2 years. While I would expect this to be a successful program, I want to move cautiously at first to see if it will work as a demonstration which would seek to subsidize insurance for about 8,000 uninsured people.

o Requiring employers to provide their employees with information about health insurance- different kinds, how much it costs, where and how to get it- may also be useful in giving workers who could purchase the insurance on their own the necessary information they would need to do so. The Department of Health would work in cooperation with the Department of Insurance and the insurance industry in the state to develop methods of getting the information to employers.

We know that 1/4 of the uninsured are under age 25. We also know that there are 54,000 college students in New Jersey and we know that many of these students do not have health insurance. Yet, health insurance coverage for this group is remarkably inexpensive - in the neighborhood of \$250 per year for a student with an individual policy. S-2981 would require that all full-time college students in the state have health insurance while they are in school. This will accomplish two positive objectives:

- o it will reduce uncompensated care costs
- o it will inculcate in students the habit of having health insurance after they graduate

As you can see, between public and private initiatives, we should be able to remove a substantial number of people from all the different sectors of the chart of the uninsured.

IV. Will Uncompensated Care Costs Continue to Increase?

Whenever hospital rates are increased, the uncompensated care rates increase as well. As I have previously said, this is to ensure that hospitals receive 100% of their uncompensated care as is mandated by our rate setting system and to ensure that patients who cannot pay their bills do not begin to receive inadequate treatment in our hospitals.

Although New Jersey has an excellent record in keeping hospital costs down, and has the 3rd lowest per admission hospital cost in the country, new technologies, the nursing shortage, and new treatment modalities have led and will continue to lead to the need for increases in hospital rates.

Another reason uncompensated care may increase may seem paradoxical to you. While New Jersey is currently experiencing a boom economy, the vast majority of the growth has been in the service and small business sectors, employers that traditionally have not provided health insurance for their workers. Workers and

their dependents as I noted above represent almost 75% of the uninsured in New Jersey, and their number is growing.

Any increase in the price of health insurance may force people to drop their coverage because the expense is too great. These people, many of whom can no longer afford to buy their own health insurance, may also increase the uncompensated care burden here and elsewhere in the country.

Perhaps the greatest misunderstanding about uncompensated care in the future relates to the prospective termination of the Medicare waiver by the federal government. As I noted above, Medicare has been paying a decreasing proportion of uncompensated care costs since 1986. In 1988, Medicare will only pay \$25,000,000 for uncompensated care, with the remainder of what they would have paid already shifted on to the other payers. This means that with the exception of that remaining \$25,000,000, payers will have no increase in their uncompensated care payments due to the termination of the waiver.

The uncompensated care question must be viewed in the context of the larger rate setting issue. Uncompensated care represents approximately 10% of total hospital costs in New Jersey.

The most effective way to control uncompensated care payments is to control total hospital payments within the state. My recent decision to require hospitals seeking a rate increase to provide the Rate Setting Commission and the Department with increased financial information is an important first step in this regard.

I remain committed to taking steps to control total hospital spending rather than controlling just uncompensated care.

V. What will happen if this bill is not enacted?

If new legislation is not enacted by December 31, 1988 the Uncompensated Care Trust Fund will no longer be in existence and hospitals will revert to charging all their uncompensated care reimbursement through their own hospital rates.

The total cost of uncompensated care will remain the same and the payers will continue to pay in the aggregate the same amount. Similarly, employers will not pay less for their health insurance since it will still have built into the premium structure the costs of uncompensated care.

What will happen is that hospitals with very high uncompensated care costs will have considerably higher rates than hospitals with low uncompensated care costs. We estimate that the uncompensated care add-on will range from over 90% to about 5% - but that 30 of the 88 acute care hospitals in the state will have add-ons of 25% or more. Moreover, because the specific payer mix at each hospital varies, different payers - including the self-insured, union groups, HMOs, commercial insurers - will find that their uncompensated care responsibility at a particular hospital is far higher than under the current system.

The combination of these factors will lead to severe distortions in rates for patients and financial crisis for hospitals. Not passing this legislation will not save any money and may indeed increase uncompensated care costs. Moreover, we will lose the best method of attacking the root cause of uncompensated care- lack of health insurance coverage- by not having approved the pilot projects to subsidize care, the employee information program and the college student insurance requirement.

VI. Amendments

I have serious reservations about Section 19. I interpret this section of the law to apply to only one hospital in the state. The cost of the hospital care for an out-of-state person would be paid for by the uncompensated care system- that is the cost of this care would be paid for by the 3rd party payers of New Jersey. Most states have already acted to prevent such a situation from happening to them. Our neighboring states - New York, Pennsylvania, Delaware do not provide routine charity care to out-of-state residents. It seems to me that this is quite different from a person who lives within the service area of a New Jersey hospital and who does not pay their hospital bill and it becomes a bad debt expense that is paid through uncompensated care.

I am even more troubled by the idea that the payers of New Jersey should be forced to pay for care of non-New Jersey residents who have been solicited to come here because their care will be

free.

VII. Conclusions

New Jersey has developed an innovative, effective and efficient method for dealing with a problem which affects all states in the nation.

Our Uncompensated Care Trust Fund has been studied by many other states seeking to deal with uncompensated care and laudatory reports on our system have appeared in many health policy journals and newspapers. I believe that S-2981 will allow us to continue and improve our work in this area. It will allow the residents of New Jersey to maintain their access to needed hospital care. It will continue a broad-based and equitable system of financing uncompensated care and it will keep our hospitals in a position to provide high quality care to all who seek it.

Thank you for allowing me to appear before you today.

PART 6a

uncompensated care
all payors in the system

$$1988 = 10.5\% + 8.5\% = 19\%$$

$$1989 \text{ estimate} = \frac{\$500 \text{ M uncomp. care}}{\$4.5 \text{ B revenues} - \$1.8 \text{ B Medicare} - \$500 \text{ M UCC}}$$

$$= 22\% \quad (\text{rise is due to final Medicare shift})$$

this percentage is the amount added on
by all payors except Medicare

Part 6b

uncompensated care

all hospital revenues
(minus uncompensated care)

$$1988 = \frac{\$450M}{\$4.5B - \$450M} = 10.5\%$$

revenues ucc

$$1989 \text{ estimate} = \frac{\$500M}{\$4.5B - \$500M} = 12.5\%$$

CAP: the cap applies to this percentage.

Uncompensated care cannot rise by more than 1% above the percentage effective on Jan. 1, 1989.

Financing of Uncompensated Care: Recent Trends

% Share of Uncompensated Care

<u>Payer</u>	'80-'86	'87	'88	'89
Medicare	46%	29%	6%	0
Medicaid	9%	12%	16%	17%
Blue Cross	19%	25%	33%	35%
All Other Insurance	26%	34%	45%	48%



New Jersey
Business & Industry
Association

102 West State Street • Trenton, New Jersey 08608-1102 • 609-393-7707

STATEMENT

OF THE

NEW JERSEY BUSINESS AND INDUSTRY ASSOCIATION

TO THE

NEW JERSEY SENATE

REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE

ON

SENATE BILL 2981

"An Act Concerning Uncompensated Care in Hospitals"

November, 1988

New Jersey Business and Industry Association, a statewide employers association representing over 11,000 members, who constitute the largest block of contributors to the Uncompensated Care Trust Fund through their Group Health Insurance Programs, would like to convey its strong concerns about the thrust of S-2981. S-2981 is of concern to business because of the serious and costly consequences which result from its provisions.

This bill is being considered today because two years ago the Legislature declined to approve a permanent Trust Fund and the "add-on" concept for funding uncompensated care. Instead, the Legislature directed the Department of Health to undertake a two-year study of alternative, permanent funding methods.

Basic to S-2981 appears to be the Department of Health's conclusions and recommendations that there is only one way to fund a public policy that:

1. Guarantees access to quality hospital care for all its citizens; and
2. Insures that all hospitals are fully reimbursed for that care: the buyers of health insurance must pay for it.

By promoting S-2981, the Department of Health implies that there are no alternative methods for funding this program.

We disagree. The cost of Uncompensated Hospital Care should not be borne disproportionately by one segment of society, specifically the buyers of Health Insurance. Alternative funding mechanisms are available to support what is essentially good public policy. NJBIA submits that guaranteeing access to quality hospital care for all its citizens is a societal goal that should be supported through a broader based funding mechanism.

NJBIA submits that the Department of Health Trust Fund Advisory Committee during its 18 months of deliberations may have overlooked a number of possible solutions. During the Trust Fund Advisory Committee meetings, business representatives attempted to obtain a demographic profile of the individuals who receive hospital services and do not pay for them. Neither the Department of Health nor the hospital representative could provide that

information, even though Department of Health regulations require hospitals to provide such data to support their claims for uncompensated care. This omission of data could have kept the Trust Fund Advisory Committee from exploring the variety of alternative methods that may be available.

We urge the committee to consider the future of uncompensated care in 1989 and beyond. Medicare will no longer be a significant contributor to the Uncompensated Care Trust Fund. Its share dropped from 46% in 1986 to approximately 6% in 1988 and perhaps zero in 1989. The combination of increased hospital costs and the Medicare withdrawal will increase the cost of uncompensated care to the buyers (individuals and employers) of health insurance from \$164.6 million in 1986 to more than \$500 million in 1989, a 300% increase. If the "add-on" concept is continued, as provided by S-2981, the program will be shifted from one which initially had four funding sources, to one which has three sources, two of which are buyers of health insurance; individuals and employers. NJBIA cannot accept the premise that those employers or individuals who accept the responsibility for paying for health care costs should also carry the burden of paying for the care of the uninsured indigents.

There is one further observation that must be made here today. Uncompensated Hospital Care has two components: Services to individuals who are unable and cannot afford to pay (charity care) which is approximately 40% of the total uncompensated care, and services provided to individuals who can afford to pay but are unwilling to do so (bad debts) which amounts to 60% of the total uncompensated care. The Trust Fund reimburses hospitals for 100% for their charity care and uncollectible bad debts.

There isn't a private employer (or individual) in the State of New Jersey who would not like to have State reimbursement for 100% of a bad debt. Why are we treating hospitals differently? It is this type of state policy that has been labeled a hospital "bail-out" law.

The Department of Health has estimated that 11% of New Jersey's population is uninsured, an increase of 3% over the past several years. The

higher percentage is because insurance costs have forced a number of self-employed individuals and senior citizens to drop or decline to purchase insurance. In addition, many small employers, who in recent years have created the bulk of new jobs in New Jersey and are struggling to remain in business, cannot afford to provide their employees with group health insurance. Consequently, the cost burden created by the "add-on" for payers of health care can only be expected to increase over time.

In our opinion, to reduce spiraling group health insurance the present Uncompensated Care "add-on"/surcharge of 10.9% must be reduced and possibly eliminated. We therefore are making the following recommendations:

1. The Uncompensated Care Trust Fund and the "add-on" concept be extended for an 18-month period;
2. A Legislative Study Commission should be created to continue the search for a viable alternative method for funding Uncompensated Care which will more equitably distribute the burden;
3. During this 18-month extension period the hospital "add-on" or surcharge be limited to 11%;
4. The Medicaid program should be expanded to cover pregnant women and children up to the maximum federally prescribed limit; the medically needy program should also be expanded to include hospitalization.
5. Uncompensated Care Trust Fund reimbursement to hospitals should be limited to 100% of charity care and 50% of bad debts. The Legislative Study Commission should also study the effectiveness of the audit procedures in decreasing the proportion of uncompensated care which is bad debt. Incentives as well as penalties should be prescribed in the regulations in order to ensure aggressive pursuit of all sizable patient accounts.

Although we regret the need to once again establish a sunset for this important program, we believe that the search for solutions must be placed in the

hands of the elected representatives who have the authority to enact enabling legislation. It is also imperative that the payers not be locked into a "permanent" funding mechanism during a period when major changes will be occurring vis-a-vis federal funding, most notably the loss of the Medicare waiver.

We would urge that the Legislative Study Commission be organized as soon as possible and report back to the Legislature within 16 months so that the complicated issues can be fully debated without the pressure of a deadline.

Concluding Observations

1. Uncompensated Care, provided by New Jersey hospitals during the past two years, is approximately \$1 billion (\$966 million) and will continue to increase.
2. Not one penny in State funds has been directly allocated to reduce Uncompensated Care.
3. State Funding priorities are lacking. Funds are appropriated for a number of other pet projects (i.e. Art Center in Newark, Aquarium in Camden) but not for Uncompensated Care
4. Hospitals annually raise significant amounts of money for a variety of hospital projects. Very little, if any, is allocated by the Hospital for Uncompensated Care.
5. The proposed 1% cap on the "add-on" over the Uncompensated Care "add-on" in effect on January 1, 1989 is illusory. It is anticipated that effective January 1, 1989 the Hospital Rate Setting Commission will approve a significant increase in the current "add-on." The proposed 1% cap on the "add-on" will be in addition to the pending increase.

NJBIA urges that S-2981 be amended to reflect these observations and recommendations.

BLUE CROSS AND BLUE SHIELD OF NEW JERSEY
STATEMENT ON S-2981 BY SENATOR CODEY

In July, 1986 I testified before the Senate Institutions, Health and Welfare Committee on S-2024, which established the Uncompensated Care Trust Fund. Blue Cross and Blue Shield of New Jersey continues to endorse the basic premise of that legislation and of S-2981; namely that all New Jerseyans, regardless of their ability to pay, should have access to quality medical care and that the providers of that care must be allowed to remain financially solvent.

While supporting the need for the maintenance of the Uncompensated Care Trust Fund we must express our concern about the continued increase in the cost of uncompensated care.

In 1980 the percentage of the uncompensated care add-on was 5.7%. This added an additional 9.3 million to the cost of hospital bills paid by BCBSNJ on behalf of our customers. In 1987 we estimate that uncompensated care represents from between 10.6% and 10.9% of total system costs; this translates into \$88 million additional dollars directly added on to our customers' hospital bills. As disturbing as this trend is, it is exacerbated by the continual cost shifts which our customers must absorb as Medicare's share of uncompensated care is shifted to other payers.

Approximately 23% of all hospital revenues result from payments made by BCBSNJ, yet our customers absorb approximately 42% of all uncompensated care costs as a result of these governmental cost shifts. Put another way, since 1986 almost \$800.00 has been added on to the cost of an average BCBSNJ customer's inpatient stay because of these shifts. These additional costs inevitably must impact the cost of our policies.

At Blue Cross and Blue Shield of New Jersey we acknowledge the necessity of maintaining the Trust Fund. We are also encouraged by the progress of the Uncompensated Care Trust Fund Advisory Committee in trying to come to terms with the twin problems of access and affordability. The Legislature must act to extend the Uncompensated Care Trust Fund whether through S-2981, or A-3476 (similar legislation in the Assembly or a hybrid piece of legislation). Yet, in extending the life of the Uncompensated Care Trust Fund it cannot be assumed that the more basic problems facing the system have been solved. Unless we are able to correct some of these major problems the good intentions of this legislation will fail to be realized.

In July, 1986 we recommended that several different approaches be considered to help fund uncompensated care.

The suggestions offered two and one half years ago are perhaps even more valid today.

The possibility of expanded governmental funding for uncompensated care. Today we believe that very few New Jerseyans are aware that part of the cost of their hospital stay is used to reimburse hospitals for the cost of uncompensated care. It is our opinion that if the cost of uncompensated care is to be allocated fairly then public policy makers should be willing to consider funding at least a portion of the cost of uncompensated care through general revenues. Without such a policy the cost of uncompensated care is not equitably distributed among all New Jerseyans.

Also county and municipal governments should be encouraged to expand their aid to local hospitals, a practice which has drastically declined since the inception of the present reimbursement system. In addition, the possibility that some hospitals could absorb a percentage of their uncompensated care costs needs to be examined.

The entire problem of uncompensated care needs further examination. Some would argue that everything is being done to collect from those who have an ability to pay. If that is the case, then we suggest that the Department of Health should use the authority of the State to pursue collection by all diligent investigatory means until satisfied that all residual cases are persons without the means to make payments.

New Jersey should be proud of its record in providing accessible, quality care to all its citizens. S-2981 will allow this important public policy to continue and we support that; but we believe that unless something is done to control the growth of uncompensated care in the hospital system, the consequences to all New Jerseyans will be severe. Blue Cross and Blue Shield of New Jersey stands ready to work with the Legislature and all other parties to solve this troublesome problem.

Testimony before NJ Senate Revenue, Finance and Appropriations Committee

November 21, 1988

From: Ruth Thies, Executive Director - New Jersey Hospice Organization

My name is Ruth Thies and I am the Executive Director of the New Jersey Hospice Organization which represents the 40 hospice programs in the state and the patients and families they serve. I thank you for the privilege of being able to address this committee today.

Hospice is a special kind of care which focuses on the physical, emotional and spiritual care and support of terminally ill patients and their families. Although hospice care is often delivered in the home, it can also be provided in other settings such as hospitals, nursing homes, and free-standing facilities.

In April of 1986, as part of the Cobra Act, hospice became a permanent benefit under Medicare. Included in that act was the provision which would allow states to add a hospice Medicaid benefit. A number of states have already done so and many more are in the process of seriously considering it.

Since 1986, the New Jersey Hospice Organization has been providing information to the New Jersey Department of Human Services and was led to believe that a hospice Medicaid benefit would be in effect by April of 1988. However, in March of '88, we were informed by the Department that the benefit had been cut for budgetary reasons. This was hard for us to believe as hospice is at the very least a break even service and often, a cost effective, cost containment benefit. The New Jersey Department of Human Services estimates that the start up costs for this program would be \$250,000. However, if it becomes necessary to spend that money at all, it would quickly be made up in a relatively short period of time. Many patients would merely be rerouted and would be receiving more appropriate care for their condition.

The National Hospice Organization estimates that nationally, 25% of the terminally ill patients elect hospice care in the last 3-6 months of life. At least one-third of what would have been spent per patient is saved when compared to the alternatives of acute care or nursing home care. If that same formula is applied to New Jersey Medicaid patients with terminal illnesses, the state could save one-third the costs per patient for 25% of the terminally ill Medicaid patient population.

The National Center for Health Statistics estimates that the cancer rate is twice as high for minorities. Many hospice cases are cancer patients as the prognosis is often easier to determine. Many minorities access the Medicaid system. Therefore, a hospice Medicaid benefit is vital not only as their right to be able to elect this type of care when needed but also from a cost savings point of view.

Another population that often accesses the Medicaid system is AIDS patients. At present, AIDS is a disease which is 100% fatal. If 25% of the AIDS patients in New Jersey used hospice in the terminal stage, at a savings of one-third of what it would otherwise cost, dollars saved would add up quickly.

I haven't even touched on the quality of hospice care-the comprehensive program-the integration of caring for the mind, body and spirit in the perhaps most difficult time in one's life. Hospice is the only health care program in the country that consists of a team of professionals caring for an entire family unit. On behalf of these patients and families (who are or will be in the Medicaid system), I ask that you approve Senate Bill #2907.

On behalf of the New Jersey Hospice Organization, I thank you again for your time and consideration. I would be happy to answer any questions or to be of further assistance as needed.



POSITION STATEMENT

S-2474 Sca

The New Jersey Education Association urges you to support S-2474 Sca. This legislation changes the definition of a veteran in the State of New Jersey to include members of the American Merchant Marine during World War II.

In October of 1987, a federal judge required the United States Defense Department to reconsider its denial of veterans' status to World War II merchant marines. Pursuant to this court order, the Department of Defense in January of 1988 agreed to extend veterans' status to these WW II merchant sailors thus making them eligible for all federal veterans' benefits. S-2474 Sca addresses the anomaly that World War II merchant marines are veterans for federal purposes, but are not so recognized in their home state of New Jersey. NJEA supports S-2474 Sca in that it will promote fairness and consistency in determining who shall be eligible for veterans' benefits.

The NJEA urges you to vote "yes" on S-2474 Sca.

DTC:JES:ms

11/21/88



POSITION STATEMENT
S-2921

The New Jersey Education Association will support S-2921 if the bill is amended to include designating a representative of the local education association to the Municipal Alliance Committee.

This bill attempts to centralize and coordinate those efforts that strive to eliminate substance abuse in the State of New Jersey. One of the strengths of the bill is that it calls for preparation of a comprehensive statewide Alcoholism and Drug Abuse Master Plan. S-2921 ties together every aspect that comes into play when dealing with substance abuse problems. The bill incorporates all phases of addressing the public at large, children, the victims of substance abuse, and the various agencies that must work toward delivering services to stamp out substance abuse.

When this bill was drafted and discussed before the Coordinating and Planning Panel on Substance Abuse, NJEA spoke in favor of the bill. One of the attractive aspects of this bill is the fact that the programs are taken right to the grass-roots level, dealing with both the county and municipal alliances. These two bodies provide a mechanism for all affected community members to be directly involved in the development and implementation of efforts to wipe out the substance abuse problem.

We suggested two amendments before the Coordinating and Planning Panel on Substance Abuse that we felt would strengthen the bill. On both of the alliances, many groups are represented to insure that the proper services and the proper perspective of the problem are taken into account when dealing with the children at both county and municipal levels. NJEA recommended that persons from the schools be placed on both the County Alliance Steering Committee and the Municipal Alliance Committee. In both cases, these amendments were made to the original bill.

We commend the sponsors for maintaining representative on the County Alliance Steering Subcommittee. However, we believe omission of a representative from the local education association on the municipal committee is an oversight and not an intentional exclusion.

- over -

Position Statement
S-2921

It is critical that the alliance seek input from the local education association before programs are implemented in the school districts. The wording we recommend on page 8, section 9, after parent-teacher association; insert . . . "a member of the majority representative of school employees in the municipality in that school district . . ."

Thank you for your consideration.

DTC:JFL/mer
11/21/88

TO: Senate Revenue and Finance Committee

FROM: Mia Andersen, Chairman
Legislative Activities
New Jersey PTA
15 Beekman Road
Summit, New Jersey 07901

DATE: November 21, 1988

RE: S 2921 and A 1774

Drug and alcohol use and abuse is not decreasing. We must recognize that what we are doing is not working. There is no statewide policy in place from which a unified approach can develop. We have little or no effective statewide planning or coordination; inadequate prevention activities; non-existent evaluation mechanisms; inadequate licensing regulations; and inadequate third party coverage/insurance coverage. Therefore, we support the Legislature's efforts to enact strong legislation that will result in the creation of a:

1. strong statewide mechanism (Governor's Council) with authority to plan and coordinate the State's efforts with regard to drug and alcohol use and abuse;
2. continuum of care necessary to effective treatment;
3. broad community based prevention network whose design, implementation and oversight is placed in the strong statewide mechanism (Governor's Council).

The creation of a state umbrella mechanism, a Governor's Council on Alcoholism and Drug Abuse, is essential. There is currently no effective interdepartmental mechanism to effect planning, coordination and evaluation. What exists now is the traditional vertical design, i.e. separate departments with discrete functions. That structure presents a barrier to effective horizontal, i.e. interdepartmental, coordination. While such a structure is effective with regard to discrete issues, it is ineffective when presented with a problem that transcends all Departments. Drug and alcohol use and abuse is such a problem.

Currently, the Division of Narcotics and Drug Abuse Control and the Division of Alcoholism are statutorily authorized to coordinate all State efforts. They have been unable to do so for many reasons. One of the primary reasons for this failure is their position in government. It is unrealistic to expect a Division level agency/mechanism to have the authority to:

1. reach beyond the borders of its Department;
2. compel Department Commissioners to adopt policy, program and procedures developed by a Division of

- another Department; or
3. compel its own Commissioner to act as it deems appropriate to the issues within its purview.

In order to successfully address the tragedy of drug and alcohol abuse, we must develop a broad continuum of care and services for drug and alcohol abusing and/or addicted young people. Such a continuum must include an adequate number of residential, out patient and aftercare facilities and programs. New Jersey's children should not have to go out of state to receive the kind of treatment they need. Nor should their treatment be sabotaged because there are not enough or appropriate aftercare programs in the state. We do not currently have the kind of continuum necessary to meet the treatment needs of the State's children, youth and their families. Consequently, New Jersey PTA urges you to release S 2921/A 1774 with the \$2,000,000 appropriation designated for the treatment competent of this legislation.

The prevention piece, i.e. the Alliances, are key to the reduction of drug and alcohol use and abuse by the State's children and youth. The Alliances are coalitions of the relevant community sectors that can and do impact on the lives of children and their families. These Alliances are a primary prevention effort. That is, they are charged with providing programs to keep children and youth from beginning to use and abuse. They are not charged with the responsibility of providing programs and services for those children already in trouble; already in need of treatment and/or after care. That piece, i.e. secondary or tertiary prevention, should be handled by treatment and mental health professionals.

You have heard testimony that urges placement of the Alliances in the Department of Health. But the Alliances do not belong in the Department of Health. While the results of drug and alcohol abuse raise health problems, aside from alcoholism, the causes of substance abuse are as varied as the personalities of the individual user/abuser. To limit prevention to the Department of Health is to effectively limit the contribution to the development and implementation of the State's prevention effort to Health professionals.

New Jersey PTA agrees with the studies and data that indicate that the behaviors that lead to drug and alcohol abuse result from broad personality problems. These problems are rooted in low self esteem; lack of self worth and self confidence; lack of a sense of responsibility, self discipline and self control; educational deficits and disadvantages; inability to make appropriate judgments; inability to develop effective strategies to cope with life problems; and lack of access to effective, positive adult and peer role models. All professionals with expertise that touches these areas must have

access to the development and implementation of the Alliances. Each Department will have equal opportunity to participate in the development, implementation and oversight of the Alliances, the state's primary prevention efforts, only if the Alliances are placed under the Governor's Council.

We must admit that what we are doing is not working. Our jails are full ; the runaway shelters - those that exist - are not large enough; teenage pregnancy is not decreasing nor is the incidence of teenage venereal disease; suicide has risen and is now the second leading cause of death for those 18 and under; child abuse and sex abuse has increased; drop out rates, especially in urban areas has increased alarmingly. We are not winning a single battle and we are certainly losing the war against drug and alcohol abuse. 300,000 to 350,000 New Jersey youth ages 12 to 17 use or abuse alcohol and other drugs. 62,000 teenagers are problem drinkers and 54,000 to 62,000 use marijuana daily. (Statistics obtained from the Governor's Committee on Children's Services Planning, Action Plan for Children) In order to help our children develop the skills necessary to become competent adults, we must invest in primary prevention activities like the Alliances which would be created and funded by S 2921/A 1774.

It is important to focus on the need to reduce the incidence of drug and alcohol abuse. For if all we do is dedicate resources to funding treatment services, we will have done nothing to reduce the need for those services. Not only is that morally bankrupt, it is fiscally irresponsible. We urge you, therefore, to approve the \$2,000,000 appropriation to support the Alliances.

While the appropriation requested for the Alliances is only \$2,000,000, it must be recognized that to be successful, there must be sufficient funds allocated to the Governor's Council to provide those Alliances with training, program resources and expertise and for general oversight. The Alliances will not succeed if all you do is sprinkle a little money and leave these volunteers to themselves. Sufficient funding for implementation of the Alliances is crucial if the Alliances are to succeed. It must not be forgotten that the State will be getting much more than \$2,000,000 for its \$2,000,000 investment. That \$2,000,000 will swell to far more when the in kind contribution of the Alliances volunteers efforts is included.

The Governor's Council which is designed to be a strong statewide umbrella mechanism can only be effective if it is given enough authority and resources to carry out the intent of this important legislation. S 2921 and A 1774 appropriately authorizes the Council to:

1. review and coordinate all State departments' efforts in regard to the planning and provision of treatment,

- prevention, research, evaluation, education, and public awareness of alcoholism and drug abuse;
2. prepare an annual comprehensive plan for the treatment, prevention, research, evaluation, education and public awareness of alcoholism and drug abuse;
3. encourage the development or expansion of employee assistance programs;
4. make recommendations as to funding allocations and needs;
5. evaluate and recommend to the Governor and Legislature changes necessary to the improvement of coordination of services;
6. collect data, reports, statistics or other materials necessary to carry out the council's function.
7. develop, implement, monitor and evaluate the Alliance network.

It is unrealistic to believe that the Council can accomplish its charge without sufficient resources. New Jersey PTA urges you to release this legislation with the \$500,000 appropriation dedicated for the work of the Governor's Council.

In conclusion, New Jersey PTA urges the Senate Revenue and Finance Committee to release S 2921 and A 1774 as amended.

JUSTIFICATION FOR INCREASED APPROPRIATION FOR DIAGNOSTIC, TREATMENT AND
COUNSELING SERVICES FOR GENETICS

Each year between 3000 and 5000 New Jersey newborns have major birth defects. By the time they reach age 5, some 10,000 more are found to have congenital disorders affecting their health. Many of these conditions are caused by genetic defects or by substances to which they were exposed in the womb. In addition there are over 13,000 New Jersey citizens with genetically caused mental retardation and 10,000 New Jersey women over 35 who give birth each year. In all, there may be more than 75,000 people of all ages in our state whose medical conditions are caused or influenced by genetic and related disease or whose babies were exposed to toxins, chemicals, drugs or infections in the womb.

Proper medical care of all these people requires that they have a correct diagnosis and appropriate specialized treatment. They and their families should have genetic counseling as to the nature and risks of these conditions. Women whose babies may have serious birth defects should be informed of their risks so that their babies can be expectantly managed.

There is a problem. Many of these conditions are individually rare, requiring very specialized and long evaluations, unusual tests and many hours of professional time per family, far in excess of what is needed for most common conditions. Not only are these services expensive, but they are poorly reimbursed by insurance and are completely beyond the means of those who have no insurance.

Subsidizing these services is highly cost effective. The Governor's Council on Prevention of Mental Retardation presented a report to Governor Kean in 1985, which concluded that prevention and screening programs for mental retardation and birth defects, such as those discussed here, can save \$2 to \$10 per dollar of cost. These savings can best be accomplished by having the programs running efficiently. The Council concluded that New Jersey should be spending at least \$ 900,000 per year in support of genetic services for our citizens.

New Jersey began to support genetic services in 1976-77, with its Genetic Services Program, which had an initial appropriation of \$70,000 and then increased to \$115,000 in 1978-79. No further increase has occurred, although there has been some supplementation from the Special Child Health Services Block Grant. In 1986 these funds supported twelve centers, which saw almost 9000 people for genetic services.

Many areas of New Jersey, particularly in the southern part of the state, have extremely limited access to these services because the centers are few and lack the staff to go to more of the distant areas to provide service. While all persons who request care are seen, regardless of ability to pay, there are many who cannot reach the genetic centers because of inaccessibility.

Because of our need to provide the best medical care to all of New Jersey's families, regardless of financial status, it is urged that increased appropriation for genetic services be approved.

JUSTIFICATION FOR INCREASED APPROPRIATION FOR DIAGNOSTIC, TREATMENT AND
COUNSELING SERVICES FOR GENETICS

Between 3000 and 4000 New Jersey newborns have major birth defects. By the time they reach age 5, some 10 to 15 are found to have a congenital disorder affecting their health. Many of these conditions are caused by genetic effects or by substances to which they were exposed in the womb. In addition there are over 10,000 New Jersey citizens with genetically caused mental retardation and 10,000 New Jersey women over 35 who have a 1 in 1000 chance in all, there may be more than 15,000 people of all ages in our state whose medical conditions are caused or influenced by genetic and related disease or whose babies were exposed to drugs, chemicals, drugs or infections in the womb.

Proper medical care of all these people requires that they have a correct diagnosis and appropriate treatment. They and their families should have genetic counseling as to the nature and risks of these conditions. Women whose babies may have serious birth defects should be informed of their risks so that their babies can be expectedly managed.

There is a problem. Many of these conditions are individually rare, requiring very specialized and costly treatments, unusual tests and many hours of professional time per family. In excess of what is needed for most common conditions. Not only are the services expensive, but they are poorly reimbursed by insurance companies, completely beyond the means of those who have no insurance.

Subsidizing these services is not only cost effective. The Governor's Council on Prevention of Mental Retardation presented a report to Governor Kean in 1985, which concluded that prevention and screening programs for mental retardation and birth defects such as those discussed here, can save \$2 to \$10 per dollar of cost. Savings can best be accomplished by having the programs running efficiently. The Council concluded that New Jersey should be spending at least \$90 million a year in support of genetic services for our citizens.

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Because of our need to provide the best care to all New Jersey families, regardless of their financial resources, it is urged that increased appropriation for genetic services be made.

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