

# NJASBO

Negotiating Employee Benefits  
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# Agenda

**Current State of Public Sector Employee Benefits**

**Addressing the Issues**

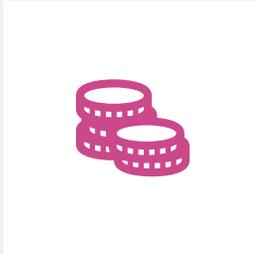
**Recent Trends in Negotiations**

**NJEA Playbook/Coughlin Bill**

**Comments/Questions?**

# Current State of Public Sector Employee Benefits

# Current State of Public Sector Employee Benefits



## Limited Resources

Budget caps, state aid reductions, and local fair share



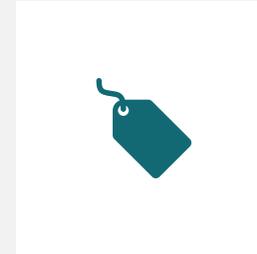
## Less Attractive Job Market

Pension tiers, reduced healthcare plans, less attractive salaries than private sector



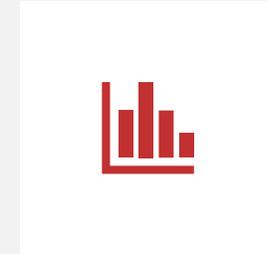
## Trust

Collective Bargaining Agreements, Chapter 78 contributions, State and Local political pressure



## Escalating Costs

Employee benefit costs accelerating beyond other budgeted expenses, Cadillac Plans



## Employee Benefit Offerings

Medical, Rx, Dental, Vision, LTD, AD&D, Life Insurance, Pension

# Addressing the Issues

# Addressing the Issues...

## Limited Resources & Escalating Costs

- Employee benefits are roughly 20% of general fund budget.
- Seeing benefits as high as 40% of salaries when taking the district as a whole.
- Unsustainable rate increases.
- Negotiating with staff and keeping taxpayers in mind.
- Cadillac Plans (*40% excise tax on high cost healthcare plans, usually the employers responsibility, set to take place on January 1, 2022*)

## Possible Remedies to slow increases

- Shared services/group purchasing (HIFs).
- Self-Insured benefits (*lower admin. costs, more money to pay claims*).
- SEHBP (*recent rate decreases have made this a more attractive option*).
- Negotiating lower cost employee benefit plans.

## How it works: Examples based on current threshold amounts



### Self-only coverage

A \$13,000 individual plan would pay an excise tax of \$720 per covered employee:  $\$13,000 - \$11,200 = \$1,800$  above the \$11,200 threshold  
 $\$1,800 \times 40\% = \$720$



### Family coverage

A \$34,000 family plan would pay an excise tax of \$1,800 per covered employee:  
 $\$34,000 - \$30,150 = \$3,850$  above the \$30,150 threshold  
 $\$3,850 \times 40\% = \$1,540$

## These charts show how the tax increases as the plan's cost increases

### Self-only coverage

Plan cost	\$12,000	\$13,000	\$14,000	\$15,000	\$16,000
Tax	\$320	\$720	\$1,120	\$1,520	\$1,920

### Family coverage

Plan cost	\$32,000	\$33,000	\$34,000	\$35,000	\$35,000
Tax	\$740	\$1,140	\$1,540	\$1,940	\$2,340

## Cadillac Tax Illustration

# Addressing the Issues...

## Less Attractive Job Market

- Pensions less attractive for public sector workers.
- Salaries less than private sector.
- Benefits less attractive than in previous years.
- Under public scrutiny (*salaries, benefits, test scores, social media*).

## Counterpoints to attract staff

- Public service – still appealing to some.
- Offer ancillary benefits (LTD, vision, etc...) at a group rate/lower cost.
- Job security
- Work/Life balance
- Benefits still better than most private sector benefits and for less cost to employees.

# Addressing the Issues...

## Trust

- Collective Bargaining Agreements.
- Chapter 78 contributions.
- Gov. Murphy vs. Senator Sweeney (*Path to Progress vs. Chapter 78 relief*).
- Gov. Murphy's relationship with the NJEA.

## What lies ahead?

- Considerable changes in SEHBP?
- Senator Sweeney's Path to Progress?
- Changes in Chapter 78 as a result of changes in SEHBP?
- Local bargaining power reduced and/or eliminated with respect to benefits.
- Negotiated changes in the CBA.
- Relief on 2% budget caps for certain school districts?

# Addressing the Issues...

## Employee Benefits Offerings

- Medical/Rx/Dental (Traditional Offerings)
- Group Long-Term Disability (LTD)
- Vision, AD&D
- Employee Assistance Plan (EAP)

## Possible Remedies

- Medicare for all
- Will private sector philosophies drive changes in public sector benefits? (*minimum ACA compliance requirements*)
- Follow suit of private employers by offering supplemental benefits to attract qualified employees.
- Health and Wellness incentives

# Recent Trends in Negotiations

# Some Recent Trends in Negotiations

*How many districts have negotiated some aspect of Chapter 78 relief?*

## Chapter 78 Relief

- Stipends to enroll in lower cost plans
- Rollback employee contributions to prior tiers
- Creation of a new tier
- Freezing contributions at current % or \$ amount
- Basing contributions on % of salary
- 1.5% of salary

## Reducing/Containing the cost of employee benefits

- Choosing a lower cost base plan for medical/Rx for all employees
- New employees get “single only” coverage
- New employees go into a lower cost plan or a high deductible plan
- Changing certain elements of existing plan (increasing ER Copay, deductibles, etc...)
- Higher salary increases versus continual benefit increases

# Other Recent Trends in Negotiations

## Other Benefits

- Offering ancillary benefits (*LTD, STD, Vision, AD&D*)
- Enhancing dental benefits (*or other lower cost benefits*)
- Group Life Insurance
- Mandatory Commuter Benefit – March 1, 2020



# COMPLIANCE BULLETIN

## New Jersey Requires Employers to Offer Pre-tax Commuter Benefits

### OVERVIEW

On March 1, 2019, Governor Phil Murphy signed a [bill](#) into law that will require New Jersey employers with **20 or more employees** to establish pre-tax transportation fringe benefit programs. Although many employers voluntarily offer these benefits, New Jersey is the first state to require employers to provide them for their employees.

Transportation fringe benefit programs allow employees to set aside pre-tax dollars for certain work-related commuting expenses. The New Jersey law requires these programs to provide benefits for transit passes and vanpooling expenses, although employers may also include qualified parking.

Covered employers must offer these benefits by **March 1, 2020**. However, implementing regulations may specify an earlier compliance deadline.

### ACTION STEPS

New Jersey employers with 20 or more employees should start taking steps to implement a pre-tax commuter benefits program. Employers should also watch for regulations from the [Department of Labor and Workforce Development](#).

### HIGHLIGHTS

- A new law requires New Jersey employers with 20 or more employees to offer pre-tax transportation fringe benefits.
- Employees may use pre-tax dollars to pay for qualifying commuting expenses, such as transit passes and vanpooling.
- Employers that do not comply with the new law may be subject to penalties.

### IMPORTANT DATES

#### March 1, 2019

New Jersey becomes the first state to enact a transportation fringe benefits law.

#### March 1, 2020

Deadline for covered employers to offer pre-tax transportation fringe benefits (unless regulations specify an earlier effective date).

# COMPLIANCE BULLETIN

## Transportation Fringe Benefit Programs

New Jersey employers that are subject to the state's unemployment compensation law and have at least 20 employees must offer all of their employees the opportunity to elect pre-tax benefits for qualifying transit passes and vanpooling expenses. The program must allow employees to elect benefits at the maximum level permitted by federal law.

Internal Revenue Code (Code) Section 132(f) allows employees to use pre-tax dollars to pay for certain work-related commuting expenses. These expenses include **qualified parking, transit passes and vanpooling**. These pre-tax dollars are exempt from federal income taxes and Social Security taxes.

*New Jersey employers with 20 or more employees must allow their employees to pay for certain commuting expenses on a pre-tax basis through a Code Section 132(f) transportation fringe benefits program.*

### Compliance Deadline

New Jersey's commuter benefits law became effective on March 1, 2019. However, no penalties will be assessed against employers until **March 1, 2020**, unless the Department issues regulations that include an earlier compliance deadline. Also, a special timing rule applies to *collectively bargained employees*. Covered employers must offer pre-tax commuter benefits to their collectively bargained employees when their collective bargaining agreements that were in effect on March 1, 2019, expire.

## Maximum Benefit Limits

Federal tax law establishes a maximum amount of transportation fringe benefits that employees can exclude from income for tax purposes. These limits are subject to annual increases for inflation. For 2019, the maximum benefit levels are:

- ✓ Qualified parking: **\$265 per month**
- ✓ Vanpooling and transit passes (combined): **\$265 per month**

## Qualified Expenses

Transportation fringe benefit programs can provide benefits for qualified parking, transit passes and rides in commuter highway vehicles (vanpooling).

### Qualified parking

Parking provided to employees at or near the employer's business premises. It also includes parking on or near the location from which employees commute to work using mass transit, commuter highway vehicles or carpools.

# COMPLIANCE BULLETIN

## Transit passes

Any passes, tokens, farecards, vouchers or similar items that allow employees to ride free of charge (or at a reduced rate) on mass transit or in a vehicle that seats at least six adults (excluding the driver) if a person in the business of transporting persons for pay or hire operates it. Mass transit may be publicly or privately operated and includes bus, rail or ferry.

## Vanpooling

Transportation between the employee's residence and place of employment in a commuter highway vehicle that seats at least six adults (excluding the driver).

### Enforcement and Penalties

The Department is responsible for ensuring that covered New Jersey employers provide pre-tax transportation fringe benefits. The law directs the Department to issue regulations regarding the administration and enforcement of the law's requirements.

Employers that fail to offer pre-tax transportation fringe benefits as required by the law may be subject to penalties. First violations can trigger penalties between \$100 and \$250. Employers will have 90 days to offer a pre-tax commuter benefits program before the penalty is imposed for a first violation. After that 90-day period, employers can be subject to a penalty of \$250 for each 30-day period of noncompliance.

# NJEA Playbook

# What is the NJEA pushing for in negotiations?

## Coughlin Bill (A-5814)

- SEHBP Commission shall develop and approve contribution rate chart (2% - 8% of salary).
- Three plans A-C:
  - Plan A minimum of 15% lower than SEHBP Direct 10 premium.
  - Plan B minimum of 25% lower than SEHBP Direct 10 premium.
  - Plan C minimum of 31% lower than SEHBP Direct 10 premium, may be a high deductible plan with an annual deductible of \$1,500.
- Commission shall make such modifications and shall result in savings for the plan year for the State \$100 million and for employers other than the State in the aggregate of \$200 million.
- Other health care benefits plans may be provided by the BOE as may be required to permit employees to select and enroll, or remain enrolled, in a plan that is provided for in collective negotiations agreements in effect until the expiration of those agreements.



**LOCAL EDUCATION ACTIVE GROUP  
MEDICAL PLAN DESIGN - PLAN YEAR 2020  
HORIZON PLANS - MEDICAL COST SHARING**

Explore Your Benefits

	NJ DIRECT ZERO	NJ DIRECT10	NJ DIRECT15	NJ DIRECT1525	NJ DIRECT2030	NJ DIRECT2035	Horizon HMO <sup>1</sup>	Horizon HMO1525 <sup>1</sup>	Horizon HMO2030 <sup>1</sup>	Horizon HMO2035 <sup>1</sup>	NJ DIRECT HD1500*
<b>Medical Cost Sharing</b>											
Primary Care Copayment	\$0	\$10	\$15	\$15	\$20	\$20	\$10	\$15	\$20	\$20	
Specialist Care Copayment	\$0	\$10	\$15	\$25	\$30 adult/ \$20 child**	\$35	\$10	\$25	\$30 adult/ \$20 child**	\$35	
Emergency Room Copayment	\$50	\$25	\$50	\$75	\$125	\$300	\$35	\$75	\$125	\$300	
In-Network Deductible	\$0					\$200 <sup>8</sup>	\$100 <sup>2</sup>	\$100 <sup>2</sup>	\$100 <sup>2</sup>	\$200 <sup>8</sup>	\$1,500/ \$3,000
In-Network Coinsurance	10% <sup>2</sup>	10% <sup>2</sup>	10% <sup>2</sup>	10% <sup>2</sup>	10% <sup>2</sup>	20% after deductible <sup>8</sup>				20% after deductible	20% after deductible
In-Network Coinsurance Maximum (Individual/Family)			\$400/\$1,000	\$400/\$1,000	\$800/\$2,000	\$2,000/ \$5,000					
In-Network Out-of-Pocket Maximum (Individual/Family)	\$400/ \$1,000	\$400/ \$1,000	\$6,520/ \$13,040	\$6,520/ \$13,040	\$6,520/ \$13,040	\$6,520/ \$13,040	\$6,520/ \$13,040	\$6,520/ \$13,040	\$6,520/ \$13,040	\$6,520/ \$13,040	\$2,500/ \$5,000
Out-of-Network Deductible (Individual/Family)	\$100/ \$250***	\$100/ \$250	\$100/\$250	\$100/\$250	\$200/\$500	\$800/\$2,000					See In- Network Deductible <sup>3</sup>
Out-of-Network Coinsurance <sup>4</sup>	20%***	20%	30%	30%	30%	40%					40%
Out-of-Network Out-of-Pocket Maximum (Individual/Family)	\$2,000/ \$5,000***	\$2,000/ \$5,000	\$2,000/ \$5,000	\$2,000/ \$5,000	\$5,000/ \$12,500	\$6,500/ \$13,000					\$3,500/ \$7,000
Out-of-Network Inpatient Hospital Deductible				\$200/stay	\$500/stay	\$600/stay					
Employer Health Savings Account Funding <sup>5</sup>											\$300

See Page 2 for footnotes.



Explore Your Benefits

**LOCAL EDUCATION ACTIVE GROUP  
MEDICAL PLAN DESIGN - PLAN YEAR 2020  
HORIZON PLANS - MEDICAL COST SHARING**

	NJ DIRECT ZERO	NJ DIRECT10	NJ DIRECT15	NJ DIRECT1525	NJ DIRECT2030	NJ DIRECT2035	Horizon HMO <sup>1</sup>	Horizon HMO1525 <sup>1</sup>	Horizon HMO2030 <sup>1</sup>	Horizon HMO2035 <sup>1</sup>	NJ DIRECT HD1500*
<b>Prescription Drug Copayments<sup>6</sup></b>											
Retail: Generic Copayments	\$3	\$3	\$3	\$7	\$3	\$7 <sup>7</sup>	\$3	\$7	\$3	\$7 <sup>7</sup>	Subject to deductible and coinsurance
Retail: Preferred Brand Copayments	\$10	\$10	\$10	\$16	\$18	\$21 <sup>7</sup>	\$10	\$16	\$18	\$21 <sup>7</sup>	
Retail: Non-Preferred Brand Copayments	Member pays difference <sup>9</sup>	\$10	\$10	\$35	\$46	Member pays difference <sup>7,9</sup>	\$10	\$35	\$46	Member pays difference <sup>7,9</sup>	
Mail: Generic Copayments	\$5	\$5	\$5	\$18	\$5	\$18 <sup>7</sup>	\$5	\$18	\$5	\$18 <sup>7</sup>	
Mail: Preferred Brand Copayments	\$15	\$15	\$15	\$40	\$36	\$52 <sup>7</sup>	\$15	\$40	\$36	\$52 <sup>7</sup>	
Mail: Non-Preferred Brand Copayments	Member pays difference <sup>9</sup>	\$15	\$15	\$88	\$92	Member pays difference <sup>7,9</sup>	\$15	\$88	\$92	Member pays difference <sup>7,9</sup>	
Prescription Drug annual Out-of-Pocket Maximum (Individual/Family)	\$1,630/\$3,260	\$1,630/\$3,260	\$1,630/\$3,260	\$1,630/\$3,260	\$1,630/\$3,260	\$1,630/\$3,260	\$1,630/\$3,260	\$1,630/\$3,260	\$1,630/\$3,260	\$1,630/\$3,260	

**Note:** Retail – 30 day supply. Mail – 90 day supply. Oral contraceptive coverage is available under the medical and prescription plans.

\* **HD = High Deductible Health Plan**

\*\* **Age 26 and under**

\*\*\* **Out of Network cost basis is 200% of CMS fee schedule**

<sup>1</sup> Service areas for Horizon HMO plans are limited to New Jersey, New Castle County in Delaware, and bordering counties of Pennsylvania and New York.

<sup>2</sup> On select services.

<sup>3</sup> Out-of-Network Deductible is combined with In-Network Deductible.

<sup>4</sup> After Deductible.

<sup>5</sup> Health Savings Accounts can be used for qualified medical expenses without federal tax liability.

<sup>6</sup> Local education employers can select from the SEHBP's Prescription Drug Plans, purchase their own prescription drug coverage plan, or receive prescription drug coverage through the SEHBP medical plan. Copayments shown apply to the plans when coverage is through the SEHBP's Prescription Drug Plans. If prescription drug coverage is through the medical plan: Coinsurance is 10% for NJ DIRECT ZERO, NJ DIRECT10 and NJ DIRECT15; Coinsurance is 15% for NJ DIRECT1525 and NJ DIRECT2030;

Coinsurance is 20% for NJDIRECT2035. Copayments for Horizon HMO are: \$5, \$10, \$20 (Retail 30-day supply) and \$5, \$15, \$25 (Mail Order 90-day supply); Copayments for Horizon HMO1525, Horizon HMO2030, and Horizon HMO2035 as shown in chart above. For High Deductible Health Plans, prescription drug coverage must be through the SEHBP medical plan and are subject to the plan's deductible and coinsurance amounts.

<sup>7</sup> For maintenance prescription drugs, mail order is mandatory under the 2035 PPO and HMO plans (NJ DIRECT2035 and Horizon HMO2035).

<sup>8</sup> Applies to services that do not require a copayment.

<sup>9</sup> You pay the applicable generic copayment as listed above, plus the cost difference between the brand drug and the generic drug.

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# What would be the impact?

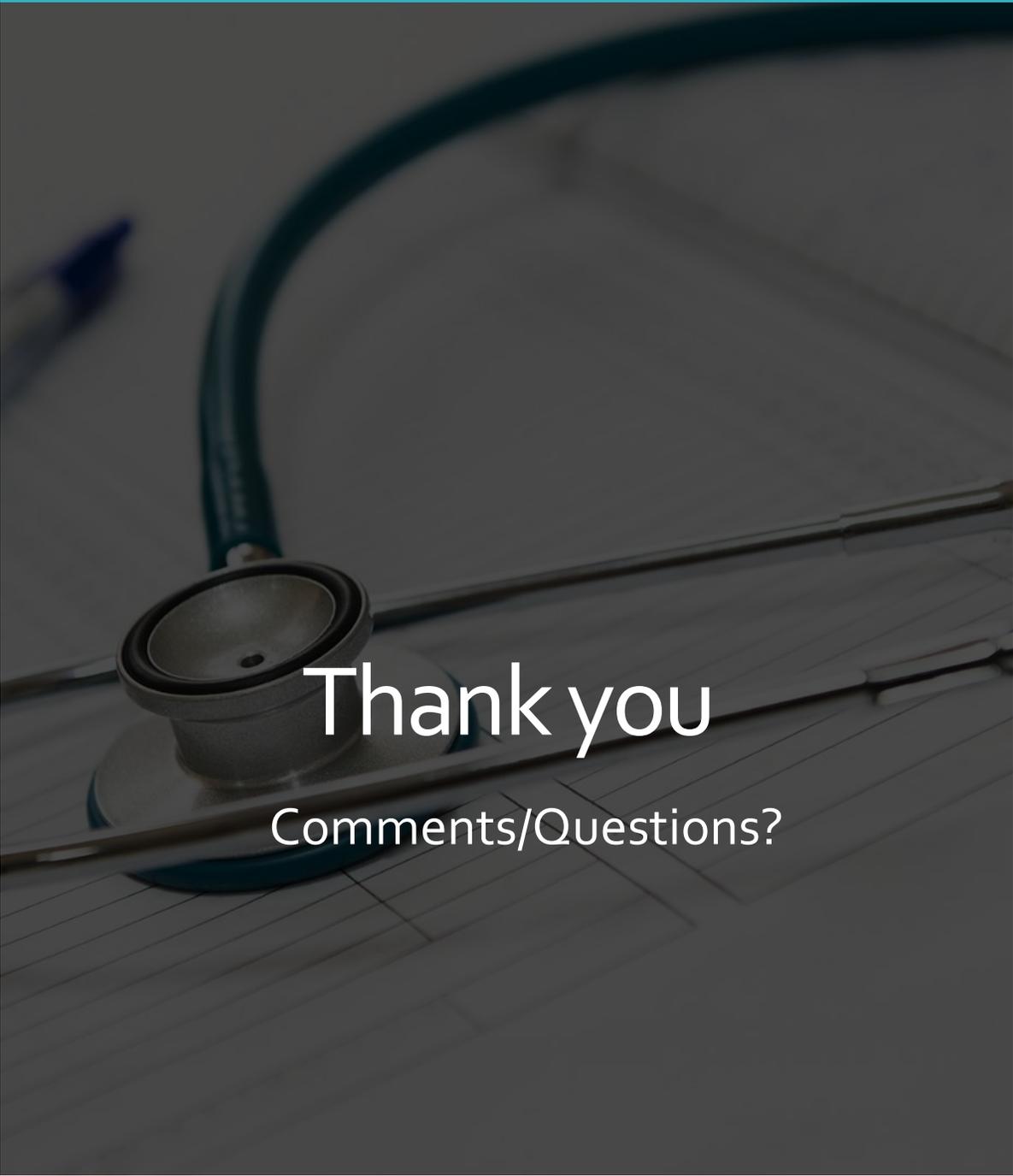
## Coughlin Bill (A-5814)

### Scenario #1:

- Teacher earning an average salary of \$65,000 currently pays 29% of premium for family coverage under Chapter 78, or \$11,600 of a \$40,000 benefits package.
- Same Teacher would pay approximately 5% of salary or \$3,250 under A-5814, a decrease of \$8,350 or 72%.
- Lower cost plan (A) would help to reduce a portion of this burden by about \$6,000, but still increase the district cost by \$2,350.

### Scenario #2:

- Administrator earning a \$125,000 salary currently pays 35% of premium for family coverage under Chapter 78, or \$14,000 of a \$40,000 benefits package.
- Same Administrator would pay approximately 8% of salary or \$10,000 under A-5814, a decrease of \$4,000 or 28%.
- Lower cost plan (A) would eliminate this burden to the district and save \$2,000.

A close-up photograph of a teal stethoscope resting on a medical chart. A blue pen is visible in the background. The image is dimly lit, with the text overlaid in white.

Thank you

Comments/Questions?