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An Open Letter to the New Jersey Legislature from
the Union-Side of the State Health Benefits Plan Design Committee

Dear Legislator,

Yesterday, Governor Christie issued an Executive Order – EO 209 – that violates Chapter 78, in that he seeks to unilaterally implement plan design changes to the State Health Benefits Plan and the School Employees Health Benefits Plan. The statute gives sole authority for changes to Plan Design to the Plan Design Committees of both plans. Not only will pursuit of the EO result in unnecessary litigation, it unnecessarily interferes with a highly successful process that once established has produced more than a half a billion in savings.

The State Health Benefits Plan Design Committee, established under Chapter 78, is made up of 6 members of management appointed by the Governor, and 6 members of unions, representing the AFL-CIO unions and the uniform unions. In order for there to be a Plan Design change, at least 7 members of the committee must vote for it. This formulation was developed under the law, in order to make up for the fact that under the State Health Benefits Plan, collective bargaining was being eliminated for plan design.

Over the course of several years, the Plan Design Committee has met, and the Union-side of committee has brought innovative and cooperative approaches to the attention to management, and we have worked very hard to develop approaches to healthcare savings that improve healthcare outcomes, make healthcare delivery systems more efficient, eliminate fraud and overcharges, and result in substantive savings of over a half a billion dollars so far. We have a vested interest in controlling healthcare costs because our members are paying a substantial portion of the premiums.

In the last plan year alone, we established two pilot projects: a Direct Primary Care Medical Home (DPCMH) model and a specialized program through Rutgers, that are in the process of being rolled out now and that have the potential to save hundreds of millions of dollars, possibly more, and improve healthcare outcomes substantially. The awarding of the bids on the DPCMH model is complete and the 2 winning bidders are in the process of setting this program in motion.

We also developed a Tiered Network healthcare plan that costs 25% less than the State's Direct 15 healthcare plan, and 30% less than the Local Government Direct 10 program. The cost savings for this plan is enormous, and if there continues to be a cooperative attitude in rolling in out, incentivizing, the public employees and the State and Local Government employers stand to save hundreds of millions of dollars a year.

These are not programs that can be imposed. To reach the savings, we need a cooperative and non-adversarial approach.

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In addition to these new options to healthcare Plan Design, the PDC has eliminated the costs of fraudulent use of compounded creams, and excessive out of network costs for chiropractic and acupuncture. These changes have saved the State approximately \$200 million this year alone.

The PDC also agreed upon an Employee Group Waiver Program that saved the State of New Jersey \$100 million a year for the past 4 years.

But there is more this year. Even prior to the Governor demanding that the PDC find \$250 million in additional healthcare savings, over a very short period of time, the Union side of the PDC had already begun exploring a program that would allow the State to save 8 – 12% in prescription drug costs. We researched an advanced technology online competitive bidding process that is likely to save the State of New Jersey as much as \$200 million a year! **This highly advanced system digitalizes competitive bidding in real time over pharmaceutical costs.** A proposal for implementing this system by January or sooner is in the hands of the management side of the committee.

In addition, the Union side of the committee has supported the healthcare advocates and legislation proposed by Vitale, Singleton, Coughlin, and Shaer on limiting balanced billing surprises for out of network emergencies and reimbursing out of network hospital services in in network hospitals to between 90 – 200% of the CMS rate. (The PDC recommended 150% of the CMS rate, but we understand the need to negotiate with the hospitals over this.) The savings from this legislation could be between \$40 million and \$160 million depending upon how and when the legislation is adopted. **But even more importantly – this legislation will save health care consumers, taxpayers, local governments and private sector employers up to \$1 billion in out of network and balanced billing costs.** While the parties are fighting over both increases and cuts in taxes, this legislation provides both enormous relief not only to taxpayers, but will have a stimulus effect. The Union-side of the committee urges the passage of this legislation without further delay.

The Union side of the PDC also proposed maximizing the implementation of the tiered network by using a process that was very, very successful in Massachusetts, of incentivizing transfer to the tiered network by waiving employee contributions for a short time if they make the leap. In Massachusetts using this system, more than 10% of employees made the switch once the incentive was offered and the savings would be enormous.

These proposals, that were made several weeks ago to the Governor's side of the committee, are still being reviewed, but have not been adopted or supported by that side yet. These proposals have the potential to save the \$250 million the Governor is looking for in his budget.

Healthcare changes are complicated. Unilateral and poorly thought through changes have unintended consequences. Both sides of the PDC are serious. The Union side has access to some of the most innovative programs in the country that the management side doesn't always know about. But the times that we have been most successful on this committee have been when we have tried to collectively tackle these issues without hostility or threats. The fact that each side needs at least

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someone from the other side to agree was not easy to navigate initially, but over time it has the potential to bring out the best in each “side” instead of the adversarial and belligerent worst.

The bottom line is that contrary to the Governor’s proposed resolution and his unilateral Executive Order 209, the union side of the Plan Design Committee has made excellent proposals that actually improve healthcare outcomes, delivery of services and save hundreds of millions of dollars that are sustainable and will increase over time. Our proposals do not pit workers against the public and make it completely clear that we should not be used as an excuse to cut services to New Jersey residents in need. We will continue to work responsibly to represent our members and the public in our actions and we hope that the management side of the committee will adopt our proposals. We plan to schedule a meeting of the entire committee to consider these proposals next week.

As always we remain available to the New Jersey Legislature to provide updated information on our progress.

Yours truly,

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