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**TO:** Benefits Administrators, Participating SHBP Local Employers  
Certifying Officers, State-Administered Retirement Systems

**FROM:** Florence J. Sheppard   
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**SUBJECT: Chapter 62, P.L. 2007**

Governor Corzine recently signed into law [Chapter 62, P.L. 2007](#), which permits local employers that participate in the State Health Benefits Program (SHBP) to negotiate employee contributions to the cost of coverage by bargaining unit. Chapter 62 also allows the employer to apply the terms of a negotiated agreement concerning employee contributions to SHBP coverage to employees with no majority representation for collective bargaining purposes. Prior to the enactment of this legislation, SHBP employers were required to pay 100 percent of the cost of medical coverage for employees and could only implement certain negotiated premium-share arrangements for the cost of dependent coverage if the arrangements were applicable to all employees. Under the provisions of Chapter 62, these limitations will no longer apply.

Although this provision of this law is already in effect, modification of the New Jersey Administrative Code in regard to the SHBP is several months away. The purpose of this memorandum is to provide guidance to employers in applying those aspects of the law already in effect until the regulation is effective.

Highlights of Chapter 62 concerning employee cost-sharing:

- Since existing bargaining agreements cannot be unilaterally abandoned by the employer, the benefits of Chapter 62 may not be realized until future contract negotiations. However, should the employer have existing agreements which contain employee cost-sharing arrangements that could not formerly be implemented because of SHBP restrictions, those agreements may now be applicable.
- An employer can negotiate sharing of the cost of coverage for active employees by bargaining unit. Uniformity for all employees is no longer required.
- The employer may negotiate with a bargaining unit for the payment of a share of the cost of coverage for an employee's personal coverage. Previously the employers could require cost sharing only for an employee's dependent coverage, and had to apply the same percentage to all dependent coverage.

- An employer can negotiate different cost-sharing by plan. The agreement may include limits on payments by the employer or the employee on the basis of a percentage of the employee's compensation or the premium or on the basis of a flat dollar amount.
- The employer can apply the provisions of a specific contract to employees with no majority representation for collective bargaining purposes. It can determine if all nonaligned employees will follow the provisions of the contract covering most employees or of the contract(s) covering employees of a common work area. For example, supervisors in the fire department might be governed by the contract for unionized fire fighters, rather than the contract covering most other employees.
- Similar to the resolution currently used to notify the SHBP of cost-sharing for dependents, the employer must notify the SHBP of any contract provision or ordinance that changes the conditions of the employees' health benefits cost-sharing. A new resolution is currently under development and will be available shortly. In the interim, a copy of the bargaining agreement and ordinance will suffice.
- The employer must notify all employees affected by any change in cost-sharing and allow an employee to change coverage without waiting for an Open Enrollment Period.

At this time the employer cannot, by way of negotiation, exclude employees from a specific health plan. However, the employer may negotiate a contract under which a particular health plan would require a higher cost-sharing than another plan for the employee.

The SHBP will NOT process retroactive enrollments, changes, or terminations to meet the employer's legal obligations. Further, Chapter 62 did not alter the provisions of N.J.S.A. 34:13A-18 which limits the extent to which arbitration may determine enrollment under the SHBP.

The employer has the responsibility of ensuring that the enrollment of its employees abides by the negotiated agreement or ordinance. The Division of Pensions and Benefits and the SHBP will not assume responsibility for ensuring that the employer's processing of enrollments matches its legal obligation.

Other provisions of Chapter 62 will be addressed in the future.