

DEPARTMENT OF
THE TREASURY
Peter R. Lawrance
Acting State Treasurer

DIVISION OF PENSIONS
AND BENEFITS
Thomas P. Bryan
Director

STATE HEALTH
BENEFITS PROGRAM
OF NEW JERSEY
COMMISSION

PETER R. LAWRANCE
Acting State Treasurer,
Chairperson

Karen L. Suter
Commissioner, Department
of Banking and Insurance

Janice Mitchell-Mintz
Commissioner,
Department of Personnel

Thomas P. Bryan
Secretary



State of New Jersey
DIVISION OF PENSIONS AND BENEFITS
PO Box 295 • Trenton, NJ 08625-0295

October 2001

TO THE HONORABLE
DONALD T. DiFRANCESCO
ACTING GOVERNOR of the STATE OF NEW JERSEY

Dear Acting Governor DiFrancesco:

As Secretary to the New Jersey State Health Benefits Commission and Director of the Division of Pensions and Benefits, I am pleased to present the Fiscal Year 2001 Annual Report in accordance with the provisions of N.J.S.A. 52:14-17.27.

The Division of Pensions and Benefits has been very busy!

Requests for proposals on the State's two largest medical plans and for a new revolutionary long term care program were let in fiscal year 2001.

The State Health Benefits Program's Traditional Plan, an indemnity plan, and the SHBP point-of-service plan NJ PLUS were awarded to Horizon Blue Cross and Blue Shield, who was the incumbent.

Former Governor Christine T. Whitman, prior to leaving the State to work in the President's Cabinet, required the State to offer a long term care plan. A request for proposal was let and awarded to Prudential Insurance Company of America. The implementation of the Plan was delayed due to an appeal of the award that has now been resolved. The Plan will be insured and totally paid by participants. The marketing for the Plan will begin in January 2002 and the open enrollment period is slated for the spring, with an effective date of July 1, 2002. We are hopeful that the Program will be well received and that there will be a considerable enrollment for this needed benefit.

We will continue to pursue new and innovative benefit designs and concepts that will enhance the care to our members while continuing to contain health costs for all concerned.

Respectfully submitted,

A handwritten signature in black ink that reads "Thomas P. Bryan".
THOMAS P. BRYAN
Secretary

Table of Contents

Mission & Vision of SHBP and Organization Chart	3
Overview of SHBP	4
History of SHBP	5
Medical Plans Offered	6
Plan Changes	7
2000 Significant Legislation	7
Graphs and Charts — Membership	
State and Local Employees, <i>FYs 1998-2001</i>	8
State Employees - Active Employees Plan Participation, <i>FYs 1998-2001</i>	9
Local Employees - Active Employees Plan Participation, <i>FYs 1998-2001</i>	9
SHBP Retirees - Who Pays for Health Benefits Coverage?	10
Plan Enrollment — State Employer Group - <i>As of June 30, 2001</i>	11
Plan Enrollment — Local Employer Group — Education - <i>As of June 30, 2001</i>	12
Plan Enrollment — Local Employer Group — Government Employers - <i>As of June 30, 2001</i>	13
Plan Enrollment by State and Local Employer Groups - <i>As of June 30, 2001</i>	14
Percentage of Health Care Dollars	
State Active and Retired - <i>FYs 1999 - 2001</i>	15
Local Active and Retired - <i>FYs 1999 - 2001</i>	15
SHBP Local Participation <i>1996 - 2001</i>	16
Participation by Dental Plan - <i>As of June 2001</i>	17
Independent Auditors' Report	
Letter from Auditor	18
Balance Sheets	20
Statements of Revenues, Expenditures and Changes in Fund Balances	21
Statements of Revenues, Expenditures and Changes in Retained Earnings	22
Statements of Cash Flows	23
Notes to Financial Statements	24
Appendix A — Related State Legislation	31
Appendix B — SHBP Rate Charts - <i>Effective 7/1/2000 to 12/31/2001</i>	
State Monthly Active Group	38
Local Monthly Active Group - Education Employers (For Employers WITHOUT Prescription Drug Plan)	39
Local Monthly Active Group - Education Employers (For Employers WITH Prescription Drug Plan)	40
Local Monthly Active Group - (Excludes Education Employers) (For Employers WITHOUT Prescription Drug Plan)	41
Local Monthly Active Group - (Excludes Education Employers) (For Employers WITH Prescription Drug Plan)	42
New Jersey State Dental Program - Monthly Group Rates	43

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

Mission and Vision

Mission

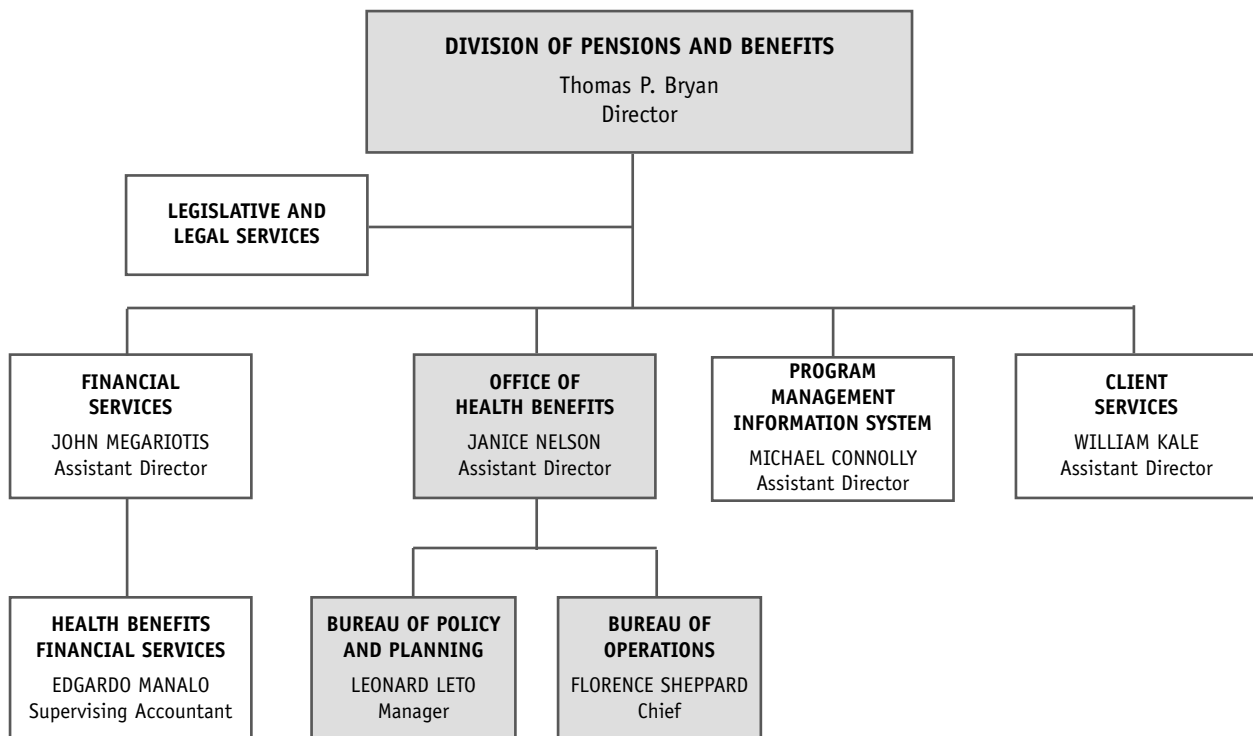
The State Health Benefits Program is committed to a standard of excellence that delivers quality health care in an efficient and cost effective manner.

Vision

To be proactive in establishing the standard for top quality benefits by focusing on innovative approaches and a commitment to member satisfaction.

STATE HEALTH BENEFITS PROGRAM AND RELATED SERVICES

Organization Chart



NEW JERSEY STATE HEALTH BENEFITS PROGRAM

Overview

The State Health Benefits Program (SHBP) offers a variety of health plans for the more than 700,000 active and retired New Jersey public sector employees and their dependents. The SHBP consists of two distinct groups - the State Group and the Local Government Group that includes entities such as boards of education, municipalities, counties, etc.

The responsibility for the operations of the SHBP resides with the Director of the Division of Pensions and Benefits. The Division is part of the State's Department of the Treasury. The policy-making body of the SHBP is the State Health Benefits Commission. The Commission consists of the State Treasurer, the Commissioner of the Department of Banking and Insurance, and the Commissioner of the Department of Personnel. The Treasurer serves as the Chair of the Commission. All decisions made by the Commission are a matter of public record.

The SHBP is composed of two bureaus under the direction of an Assistant Director.

Bureau of Operations

The Bureau of Operations is responsible for all SHBP enrollment activities encompassing 9 medical plans, 11 dental plans, and a prescription drug plan. In addition, the Bureau is responsible for the administration of benefits under the federal COBRA law.

Bureau of Policy and Planning

The Bureau of Policy and Planning analyzes and makes recommendations concerning all current and proposed health benefits programs. The Bureau is also responsible for contract renewals and requests for proposals.



NEW JERSEY STATE HEALTH BENEFITS PROGRAM

History

The State Health Benefits Program was established by Chapter 49, P.L. 1961 to provide traditional indemnity benefits for State employees. Chapter 125, P.L. 1964 extended the program to include employees of local government at the option of each public employer.

Chapter 337 of the Public Laws of 1973 (C.26:2J-3) authorized the establishment of Health Maintenance Organizations to be offered to both State and local employers. The first HMO enrollment took place in 1976.

In 1989, the State Health Benefits Commission introduced a point-of-service plan known as NJ PLUS.

A Prescription Drug Program was initiated for certain State employees effective December 1, 1974, as a result of union negotiations. The passage of Chapter 41, P.L. 1976 extended this coverage to all eligible State employees. The State Health Benefits Commission offered the program to local employers that participated in the SHBP on July 1, 1993.

The State Dental Program was established February 1, 1978 for State employees only. Initially only one plan was offered: a traditional indemnity plan known as the New Jersey State Dental Expense Benefits Program. The Program expanded in June 1984 to include Dental Provider Organizations (DPOs). All eligible State employees may enroll for themselves and their eligible dependents by paying the premium calculated to meet half of the cost of the plan.

The Traditional Plan, NJ PLUS and the Prescription Drug Program are self-insured. In fiscal year 1999, the State Health Benefits Commission approved AETNA US Healthcare, CIGNA Healthcare, and Horizon Blue Cross Blue Shield of New Jersey's HMO Blue to be offered as self insured plans. The dental indemnity plan is also self-insured, with administrative services provided by the Prudential Insurance Company. Currently four HMOs and all participating Dental Provider Organizations offered are on an insured basis.

The Statutes governing the SHBP can be found in the New Jersey Statutes Annotated, Title 52, Chapter 14, Article 3D. Rules governing the operation and administration of the program may be found in Title 17, Chapter 9 of the New Jersey Administrative Code.

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

Medical Plans Offered

NJ PLUS

A point-of-service plan that utilizes a gatekeeper approach, offers in-network services and the health promotion features of managed care plans. The plan also offers out-of-network services with a full choice of physicians and services, subject to deductibles, coinsurance and reasonable and customary charges similar to an indemnity plan.

Traditional Plan

An indemnity plan that allows free choice of medical providers and facilities. Reimbursement is subject to reasonable and customary allowances, deductibles and coinsurance. The plan does not provide coverage for wellness services such as routine checkups and screening tests.

Health Maintenance Organizations (HMOs)

Choices include comprehensive coverage where employees choose a primary care physician from a closed network of participating providers to manage all care provided. Most HMO's cover the entire State and adjacent counties in neighboring states where licensed. For Medicare eligible retirees, all State participating HMOs coordinate their benefits with Medicare.

Dental Program

State employees may choose a traditional indemnity plan called the Dental Expense Plan or a prepaid Dental Provider Organization, a dental HMO. Dental coverage is optional. State employees who opt for coverage pay 50% of the monthly cost through payroll deductions. Dental coverage is not available to State retirees or to local government employees or retirees.

Prescription Drug Program

Employee Prescription Drug Plan

The Employee Prescription Drug Plan is offered to active State employees and their eligible dependents as a separate drug plan. Local employers may also elect to provide the SHBP Employee Prescription Drug Plan to their employees as a separate prescription drug benefit.

The Prescription Drug Plan is currently administered by Horizon Blue Cross Blue Shield of New Jersey (Horizon BCBSNJ) through Merck-Medco, L.L.C., and its affiliate, PAID Prescriptions, L.L.C.

For each 30-day supply obtained at a retail pharmacy, participants pay a \$1.00 co-payment for generic drugs and a \$5.00 co-payment for brand name drugs. Members may purchase up to a 90-day supply of medication at a pharmacy when prescribed by a provider, by paying applicable copayments (60-day supply-two copayments, 90-day supply-three copayments).

A mail order program is also available. When mail order is used, up to a 90-day supply of medication has a \$1.00 copayment for generic drugs and a \$5.00 copayment for brand name drugs.

Retiree Prescription Drug Plan

Effective January 1, 2000, retirees enrolled in the Traditional Plan or NJ PLUS are also enrolled in a separate prescription drug card plan. The plan features a three-tiered design and a mail order service.

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

Plan Changes

Performance Standards Guarantees

In fiscal year 1999, Performance Standards were required of all participating HMOs to take effect in fiscal year 2000. Prior to this requirement, only the contracts for the Traditional Plan and NJ PLUS included performance guarantees. The HMOs agreed to put at risk up to 10% of their administrative charges to meet certain quality of care measures and standards of service to their State members, the State itself and the SHBP participating local employers. Five percent of the total ten percent at risk was to be directly tied to the "New Jersey HMO Performance Report" published annually by the Department of Health and Senior Services which includes quality of care measures and satisfaction survey results of all major HMOs in New Jersey.

HMOs

Effective 1/1/02, all SHBP HMO's will offer a 3-tiered prescription drug benefit when prescription drug coverage is provided by the HMO.

2001 Significant Legislation

Chapter 126, Public Law of 2000

This law revises certain mandates, requirements and procedures that are burdensome on counties, municipalities and school districts. It also resolves certain administrative ambiguities and encourages more business-like practices on the part of local units in order to effectuate cost savings that will benefit property taxpayers. It is an omnibus piece of legislation, much of which is not related to pension or health benefit coverage.

Sections of the law impacting health benefits coverage are as follows:

Section 24: Amends N.J.S.A. 40A:10-6 to permit certain local units to establish health benefits funds for the provision of contributory or non-contributory self-funded or partially self-funded health benefits for employees or their dependents, or both. Boards of education, venture commissions, educational service commissions, county special services school districts, county vocational-technical schools, and county colleges are not included in the provision. Previously, the law only permitted local units to enter into contracts for health insurance and was not clear whether local units could be self insured for health insurance without specific statutory authority. This provision validates local unit health benefits funds operating prior to the effective date of this law.

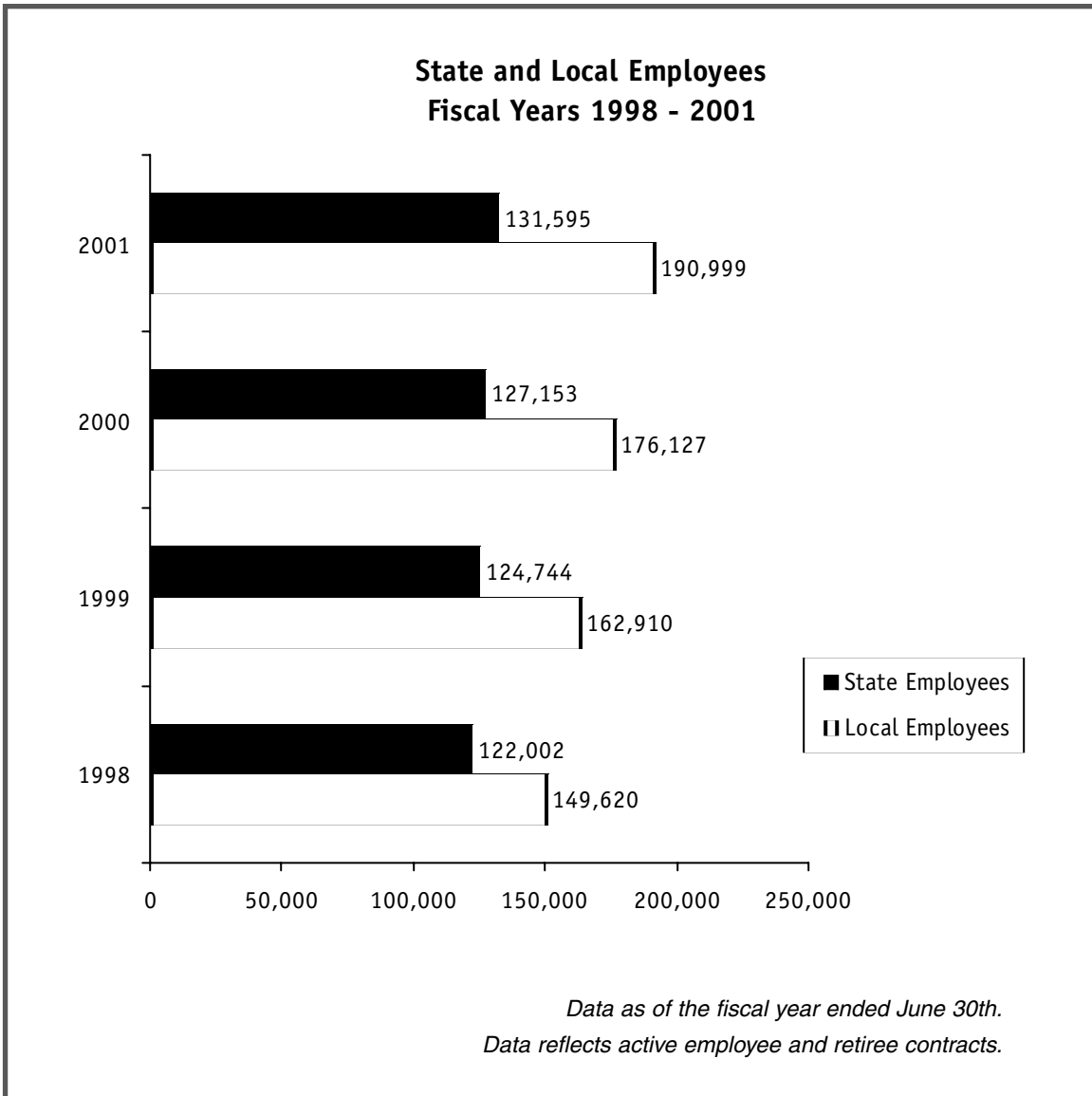
Section 25: Amends section 37 of P.L.1995, c.259 (N.J.S.A. 40A:10-17.1) to permit a county employee who receives health benefits as the dependent of his or her spouse, to waive health coverage under the county plan. Such persons could, at the discretion of the county, receive annually a payment from the county that does not exceed 50% of the county's savings because of the employee's waiver of coverage. Municipal employees received this right to waive coverage as a result of the enactment of P.L.1995, c.259.

This law was approved on September 21, 2000 and was effective immediately.

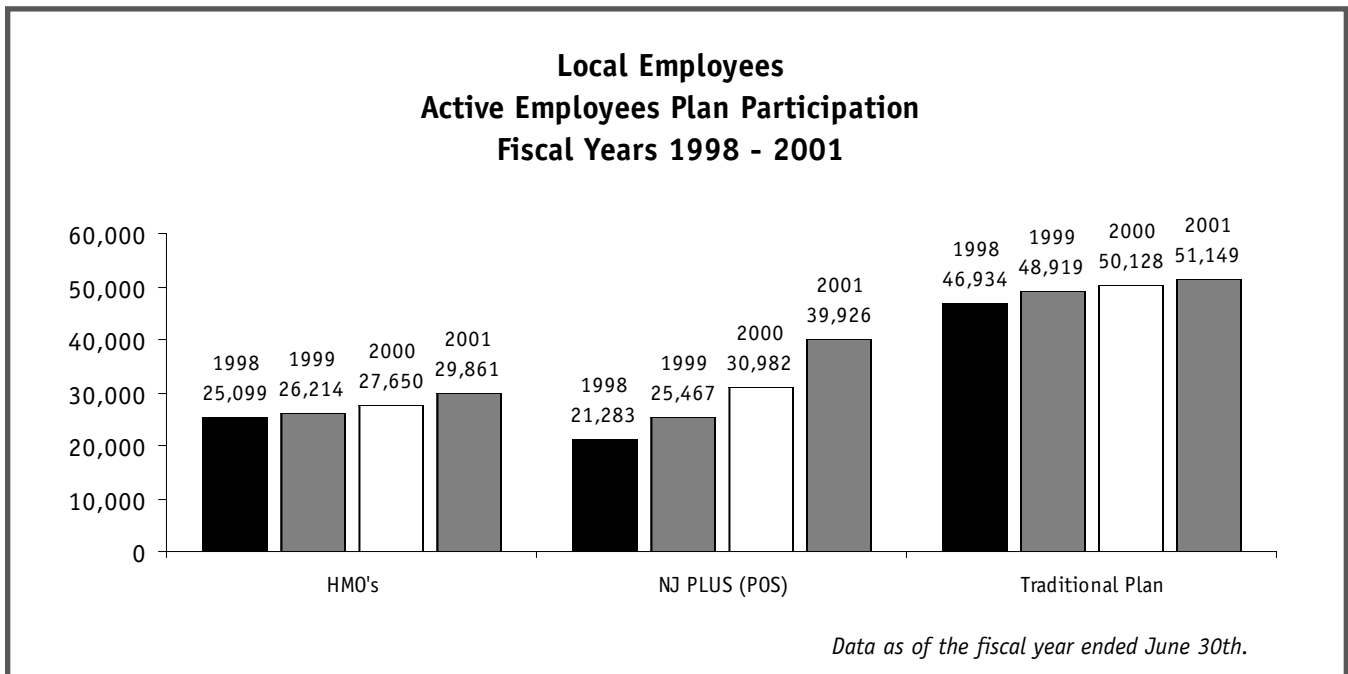
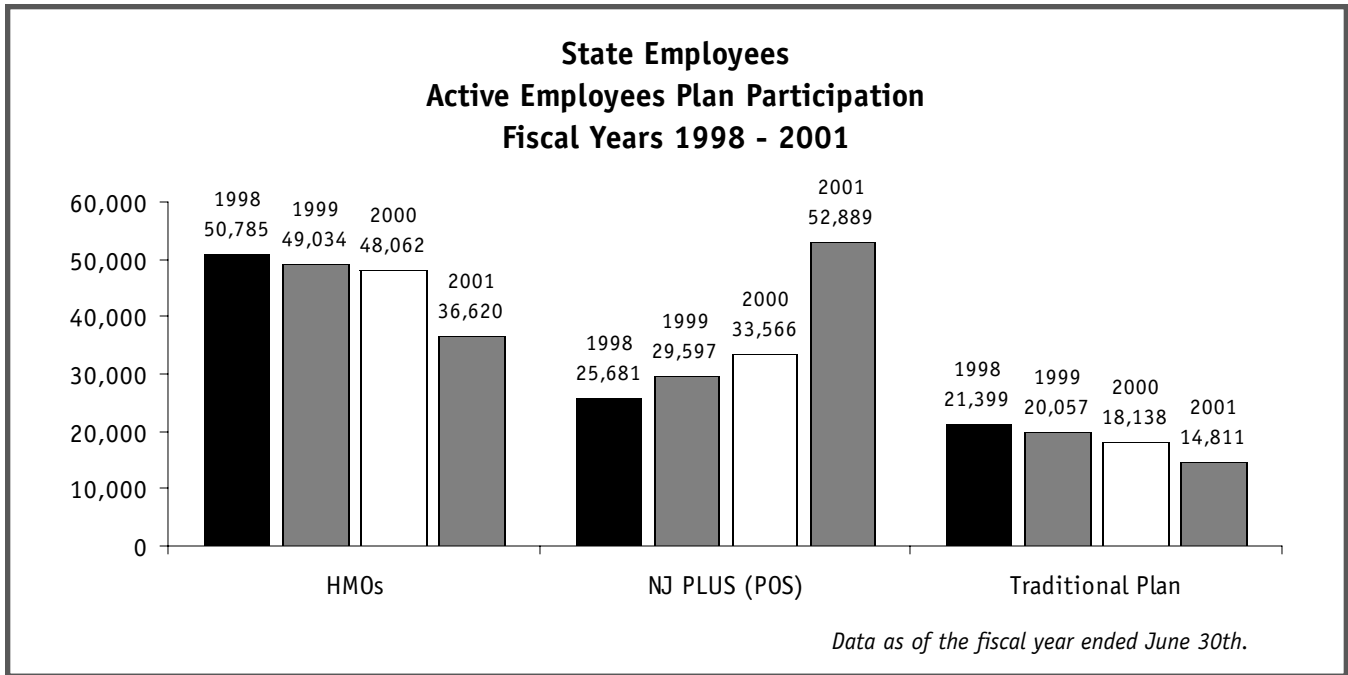
HIPAA Requirements for 2001

The State Health Benefits Commission has filed for exemption from the HIPAA mental health parity requirement with the federal Health Care Financing Administration for calendar year 2001. As a result, the maximum annual and lifetime dollar limits for mental health benefits under the Traditional Plan and NJ PLUS has not changed.

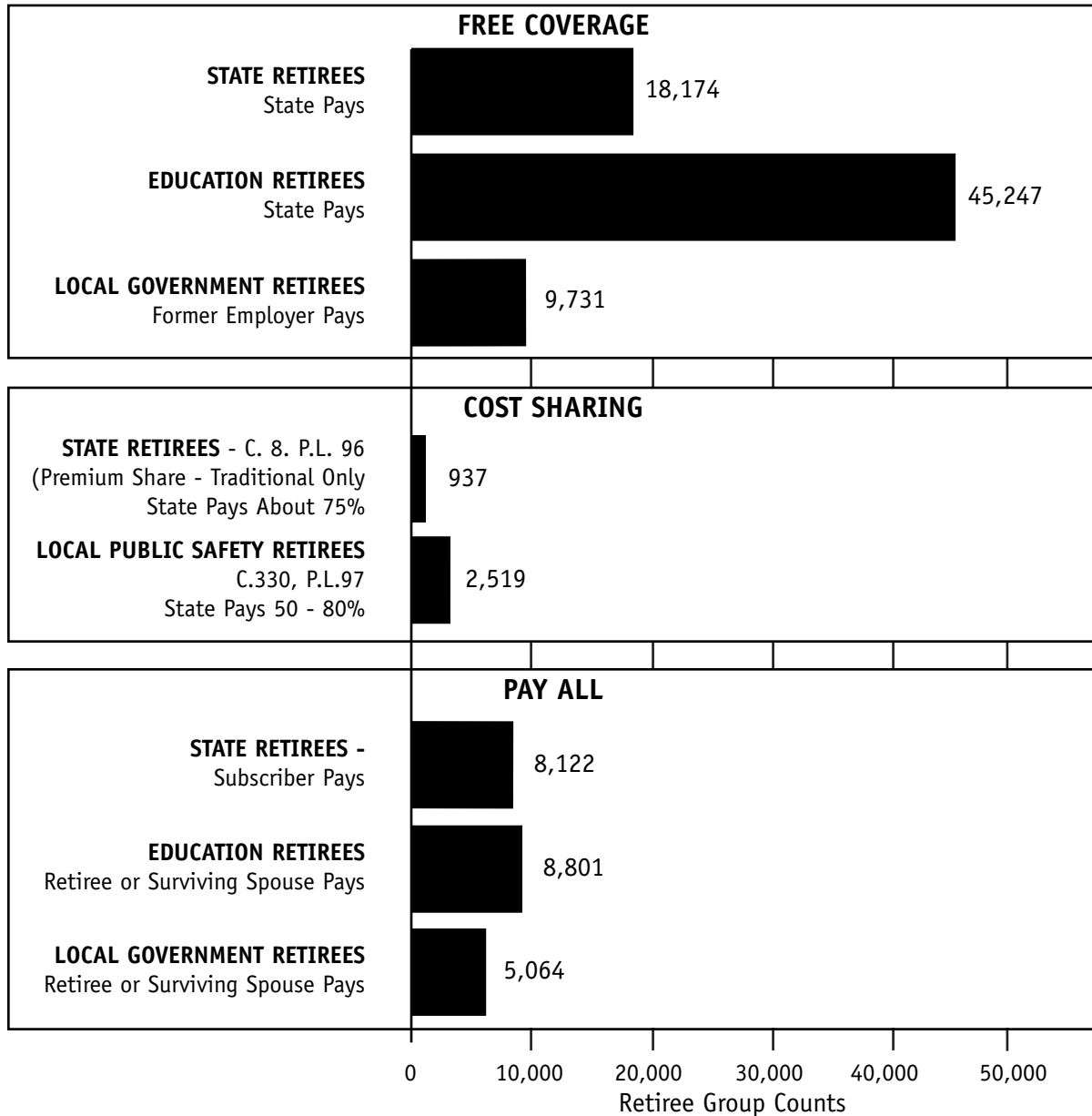
SHBP Membership



SHBP Membership



SHBP Retirees - Who pays for Health Benefits Coverage?



Data as of the fiscal year ended June 30th.

SHBP Enrollment — State Employer Group

As of June 30, 2001

EMPLOYEES

PLAN NAME	EMPLOYEES	AS A % OF EMPLOYEE ENROLLMENT	DEPENDENTS OF EMPLOYEES	EMPLOYEES AND DEPENDENTS
NJ PLUS	52,889	50.68%	82,291	135,180
Traditional	14,811	14.19%	15,947	30,758
Horizon HMO	3,931	3.77%	6,139	10,070
Aetna/US Healthcare	23,722	22.73%	40,878	64,600
Cigna	2,628	2.52%	4,113	6,741
Oxford	2,352	2.25%	3,827	6,179
Amerihealth	1,533	1.47%	2,444	3,977
Healthnet	2,225	2.13%	3,680	5,905
University	259	0.25%	333	592
TOTAL	104,350	100.00%	159,652	264,002

RETIREES

PLAN NAME	RETIREES	AS A % OF RETIREE ENROLLMENT	DEPENDENTS OF RETIREES	RETIREES AND DEPENDENTS
NJ PLUS	3,496	12.83%	2,688	6,184
Traditional	18,648	68.45%	18,648	37,296
Horizon HMO	1,342	4.93%	745	2,087
Aetna/US Healthcare	2,848	10.45%	2,137	4,985
Cigna	308	1.13%	267	575
Oxford	130	0.48%	93	223
Amerihealth	195	0.72%	157	352
Healthnet	233	0.86%	177	410
University	45	0.17%	20	65
TOTAL	27,245	100.00%	24,932	52,177

BOTH EMPLOYEES AND RETIREES

PLAN NAME	EMPLOYEES AND RETIREES	DEPENDENTS OF EMPLOYEES AND RETIREES	TOTAL	AS A % OF ALL STATE ENROLLMENT (TOTAL LIVES)
NJ PLUS	56,385	141,364	197,749	44.16%
Traditional	33,459	68,054	101,513	22.67%
Horizon HMO	5,273	12,157	17,430	3.89%
Aetna/US Healthcare	26,570	69,585	96,155	21.47%
Cigna	2,936	7,316	10,252	2.29%
Oxford	2,482	6,402	8,884	1.98%
Amerihealth	1,728	4,329	6,057	1.35%
Healthnet	2,458	6,315	8,773	1.96%
University	304	657	961	0.21%
TOTAL	131,595	316,179	447,774	100.00%

SHBP Enrollment — Local Employer Group — Education

As of June 30, 2001

EMPLOYEE

PLAN NAME	EMPLOYEES	AS A % OF EMPLOYEE ENROLLMENT	DEPENDENTS OF EMPLOYEES	EMPLOYEES AND DEPENDENTS
NJ PLUS	24,614	31.95%	28,422	53,036
Traditional	35,448	46.01%	46,619	82,067
Horizon HMO	1,757	2.28%	1,995	3,752
Aetna/US Healthcare	9,724	12.62%	12,970	22,694
Cigna	1,603	2.08%	2,344	3,947
Oxford	1,713	2.22%	2,346	4,059
Amerihealth	847	1.10%	1,008	1,855
Healthnet	1,295	1.68%	1,917	3,212
University	39	0.05%	42	81
TOTAL	77,040	100.00%	97,663	174,703

RETIREES

PLAN NAME	RETIREES	AS A % OF RETIREE ENROLLMENT	DEPENDENTS OF RETIREES	RETIREES AND DEPENDENTS
NJ PLUS	4,113	8.29%	3,088	7,201
Traditional	42,516	85.67%	24,584	67,100
Horizon HMO	720	1.45%	384	1,104
Aetna/US Healthcare	1,711	3.45%	1,151	2,862
Cigna	222	0.45%	165	387
Oxford	90	0.18%	50	140
Amerihealth	142	0.29%	99	241
Healthnet	105	0.21%	63	168
University	8	0.02%	6	14
TOTAL	49,627	100.00%	29,590	79,217

BOTH EMPLOYEES AND RETIREES

PLAN NAME	EMPLOYEES AND RETIREES	DEPENDENTS OF EMPLOYEES AND RETIREES	TOTAL	AS A % OF ALL ENROLLMENT (TOTAL LIVES)
NJ PLUS	29,475	38,901	68,376	27.91%
Traditional	79,854	48,403	128,257	52.35%
Horizon HMO	2,532	2,696	5,228	2.13%
Aetna/US Healthcare	11,746	15,886	27,632	11.28%
Cigna	1,930	2,723	4,653	1.90%
Oxford	1,817	2,802	4,619	1.89%
Amerihealth	1,047	1,433	2,480	1.01%
Healthnet	1,413	2,229	3,642	1.49%
University	53	67	120	0.05%
TOTAL	129,867	115,140	245,007	100.00%

SHBP Enrollment — Local Employer Group — Government Employers

As of June 30, 2001

EMPLOYEE

PLAN NAME	EMPLOYEES	AS A % OF EMPLOYEE ENROLLMENT	DEPENDENTS OF EMPLOYEES	EMPLOYEES AND DEPENDENTS
NJ PLUS	15,312	34.88%	25,882	41,194
Traditional	15,701	35.77%	22,758	38,459
Horizon HMO	2,000	4.56%	3,363	5,363
Aetna/US Healthcare	6,682	15.22%	11,810	18,492
Cigna	1,412	3.22%	2,734	4,146
Oxford	874	1.99%	1,721	2,595
Amerihealth	389	0.89%	639	1,028
Healthnet	1,502	3.42%	2,827	4,329
University	24	0.05%	40	64
TOTAL	43,896	100.00%	71,774	115,670

RETIREES

PLAN NAME	RETIREES	AS A % OF RETIREE ENROLLMENT	DEPENDENTS OF RETIREES	RETIREES AND DEPENDENTS
NJ PLUS	2,213	12.84%	2,095	4,308
Traditional	13,208	76.63%	2,095	15,303
Horizon HMO	434	2.52%	323	757
Aetna/US Healthcare	878	5.09%	801	1,679
Cigna	207	1.20%	239	446
Oxford	88	0.51%	84	172
Healthnet	65	0.38%	60	125
Physicians	118	0.68%	144	262
University	25	0.15%	18	43
TOTAL	17,236	100.00%	5,859	23,095

BOTH EMPLOYEES AND RETIREES

PLAN NAME	EMPLOYEES AND RETIREES	DEPENDENTS OF EMPLOYEES AND RETIREES	TOTAL	AS A % OF ALL ENROLLMENT (TOTAL LIVES)
NJ PLUS	17,525	25,882	43,407	32.66%
Traditional	28,909	22,758	51,667	38.87%
Horizon HMO	2,434	3,363	5,797	4.36%
Aetna/US Healthcare	7,560	11,810	19,370	14.57%
Cigna	1,619	2,734	4,353	3.28%
Oxford	962	1,721	2,683	2.02%
Amerihealth	454	639	1,093	0.82%
Healthnet	1,620	2,827	4,447	3.35%
University	49	40	89	0.07%
TOTAL	61,132	71,774	132,906	100.00%

SHBP Enrollment by State and Local Employer Groups

As of June 30, 2001

EMPLOYEE

PLAN NAME	EMPLOYEES	AS A % OF EMPLOYEE ENROLLMENT	DEPENDENTS OF EMPLOYEES	EMPLOYEES AND DEPENDENTS
NJ PLUS	92,815	41.20%	136,595	229,410
Traditional	65,960	29.28%	85,324	151,284
Horizon HMO	7,688	3.41%	11,497	19,185
Aetna/US Healthcare	40,128	17.81%	65,658	105,786
Cigna	5,643	2.50%	9,191	14,834
Oxford	4,939	2.19%	7,894	12,833
Amerihealth	2,769	1.23%	4,091	6,860
Healthnet	5,022	2.23%	8,424	13,446
University	322	0.14%	415	737
TOTAL	225,286	100.00%	329,089	554,375

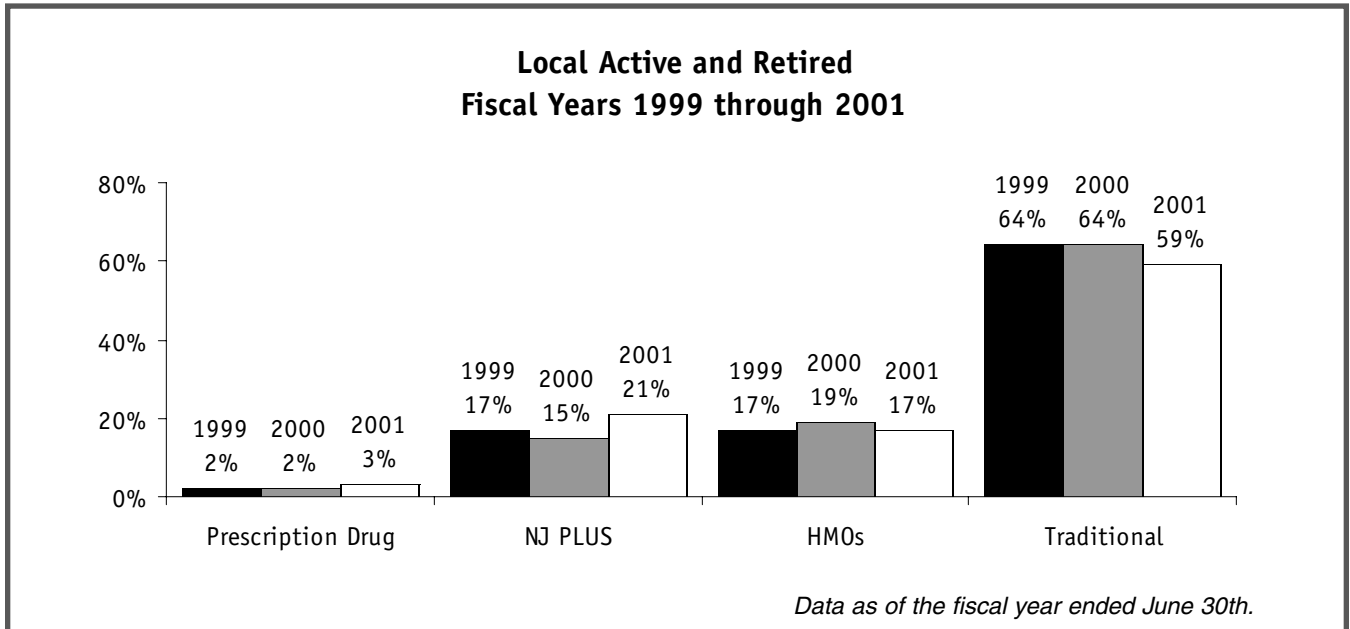
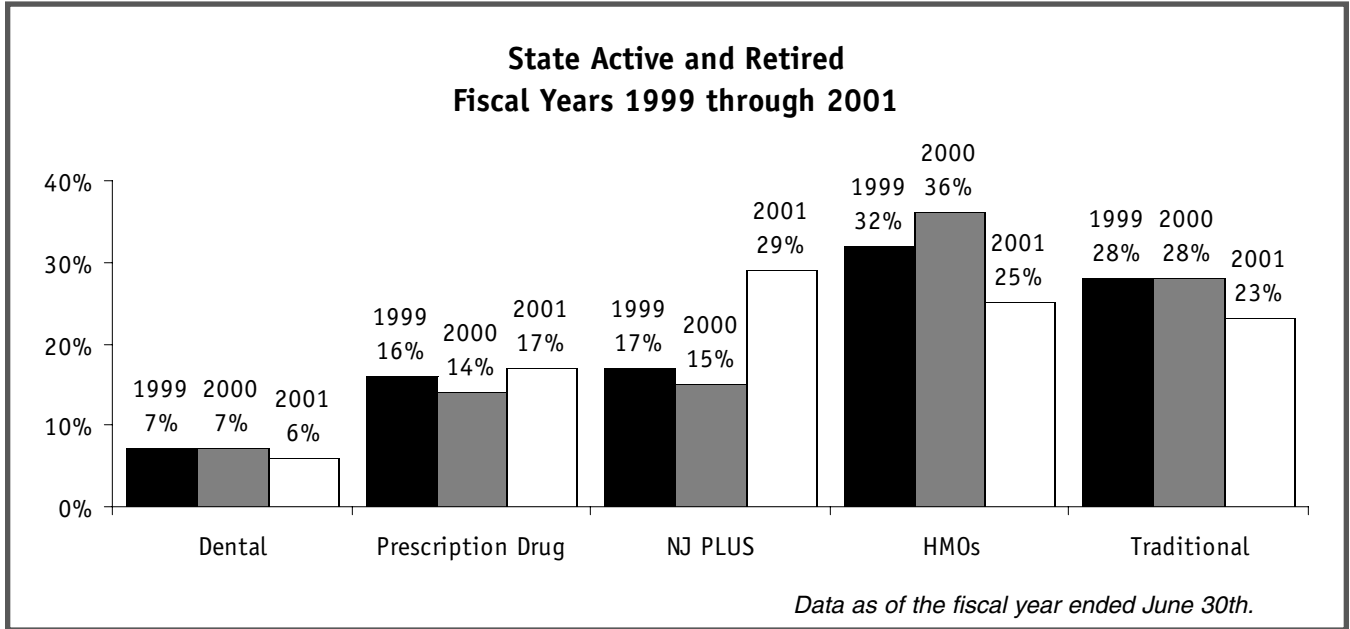
RETIREES

PLAN NAME	RETIREES	AS A % OF RETIREE ENROLLMENT	DEPENDENTS OF RETIREES	RETIREES AND DEPENDENTS
NJ PLUS	9,822	10.44%	7,871	17,693
Traditional	74,372	79.03%	45,327	119,699
Horizon HMO	2,496	2.65%	1,452	3,948
Aetna/US Healthcare	5,437	5.78%	4,089	9,526
Cigna	737	0.78%	671	1,408
Oxford	308	0.33%	227	535
Amerihealth	402	0.43%	316	718
Healthnet	456	0.48%	384	840
University	78	0.08%	44	122
TOTAL	94,108	100.00%	60,381	154,489

BOTH EMPLOYEES AND RETIREES

PLAN NAME	EMPLOYEES AND RETIREES	DEPENDENTS OF EMPLOYEES AND RETIREES	TOTAL	AS A % OF ALL SHBP ENROLLMENT (TOTAL LIVES)
NJ PLUS	103,385	155,651	259,036	35.45%
Traditional	142,222	132,360	274,582	37.58%
Horizon HMO	10,239	13,732	23,971	3.28%
Aetna/US Healthcare	45,876	72,949	118,825	16.26%
Cigna	6,485	10,331	16,816	2.30%
Oxford	5,261	8,592	13,853	1.90%
Amerihealth	3,229	4,903	8,132	1.11%
Healthnet	5,491	9,134	14,625	2.00%
University	406	487	893	0.12%
TOTAL	322,594	408,139	730,733	100.00%

***SHBP Percentage of Health Care Dollars Active and Retired
for State Employer Group and Local Employer Group***



SHBP Local Participation 1996 - 2001

	COUNTIES	SCHOOL DISTRICTS	MUNICIPALITIES	OTHERS*	CHARTER SCHOOLS**	SUB TOTAL	SUB GROUPS***	TOTAL
JUL 1996	4	256	243	248		751	19	770
JAN 1997	3	206	229	247		685	17	702
JUL 1997	3	218	224	250		695	21	716
JAN 1998	3	221	225	250	7	706	21	727
JUL 1998	3	236	228	250	9	726	20	746
JAN 1999	4	245	227	250	9	735	22	757
JUL 1999	4	280	230	253	9	776	23	799
JAN 2000	4	278	236	257	20	795	25	820
JUL 2000	4	293	246	254	22	819	29	848
JAN 2001	4	295	254	267	23	843	35	848
JUL 2001	4	307	267	268	23	869	37	906

* Others category includes agencies such as authorities, commissions, state autonomous agencies, etc.

** A charter school is a public school open to all students, on a space-available basis, that operates independently of the district board of education under a charter granted by the Commissioner.

*** Sub-groups may be a county, a municipality or a school district and each one is linked to another SHBP employer. Subgroups are developed when an employer has a need to particularize a group of employees for billing purposes.

***SHBP Participation by Dental Plans
as of June 30, 2001***

PLAN NAME	ESTIMATED STATE EMPLOYEE CONTRACTS	AS A % OF ALL EMPLOYEES	AS A % OF ALL DENTAL CONTRACTS
Dental Expense Plan	48,529	47%	53%
<u>DENTAL PROVIDER ORGANIZATIONS</u>			
Unity Dental	6,283	6%	7%
International HealthCare	5,139	5%	6%
Atlantic Southern	7,173	7%	8%
Protective Dental (Oracare)	3,730	4%	4%
Flagship Health	1,940	2%	2%
Community Dental	1,651	2%	2%
Horizon Healthcare Dental (Managed Den)	4,057	4%	4%
Prudential DMO	8,416	8%	9%
Group Dental	417	0%	0%
Cigna Dental Health	2,447	4%	5%
Subtotals	92,012	88%	100%
Employees that did not elect coverage	12,308	12%	NA
Totals	104,320	100%	100%

KPMG LLP
Princeton Pike Corporate Center
P.O. Box 7348
Princeton, NJ 08543-7348

Independent Auditors' Report

Office of Legislative Services
Office of the State Auditor
State of New Jersey:

We have audited the financial statements of the State of New Jersey Health Benefits Program Funds, Dental Expense Program Fund and Prescription Drug Program Funds as of and for the year ended June 30, 2001 as listed in the accompanying table of contents. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of New Jersey Health Benefits Program Funds, Dental Expense Program Fund and Prescription Drug Program Funds as of June 30, 2001, and the results of their operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The loss development information is not a required part of the financial statements, but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

September 7, 2001

**STATE OF NEW JERSEY
HEALTH BENEFITS PROGRAM FUNDS,
DENTAL EXPENSE PROGRAM FUND, AND
PRESCRIPTION DRUG PROGRAM FUNDS**

June 30, 2001

TABLE OF CONTENTS

Financial Statements

Balance Sheets	20
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	21
Statement of Revenues, Expenses and Changes in Retained Earnings.....	22
Statement of Cash Flows	23
Notes to Financial Statements	24

Schedule

Loss Development	30
------------------------	----

**STATE OF NEW JERSEY
HEALTH BENEFITS PROGRAM FUNDS,
DENTAL EXPENSE PROGRAM FUND AND
PRESCRIPTION DRUG PROGRAM FUNDS**

Balance Sheets

Year ended June 30, 2001

	HEALTH BENEFITS PROGRAM FUND STATE	HEALTH BENEFITS PROGRAM FUND LOCAL	DENTAL EXPENSE PROGRAM FUND	PRESCRIPTION DRUG PROGRAM FUND STATE	PRESCRIPTION DRUG PROGRAM FUND LOCAL	LONG TERM DEBT ACCOUNT GROUP
Assets and other debits						
Assets:						
Cash and cash equivalents	\$ —	1,760,725	—	—	—	—
Investments, at fair value:						
U.S. Treasury notes	—	—	—	—	—	—
Cash Management Fund	46,127,438	123,509,929	12,225,556	2,697,015	1,917,451	—
Total investments	46,127,438	123,509,929	12,225,556	2,697,015	1,917,451	—
Receivables:						
Other	4,520,852	50,832,519	230,107	27,105	2,100,596	—
Due from other funds	35,599,885	7,605,433	4,236,659	11,737,887	—	—
Total receivables	40,120,737	58,437,952	4,466,766	11,764,992	2,100,596	—
Other debits:						
Amount to be provided	—	—	—	—	—	93,157,600
Total assets and other debits	\$ 86,248,175	183,708,606	16,692,322	14,462,007	4,018,047	93,157,600
Liabilities and fund equity						
Liabilities:						
Accounts payable and accrued expenses	\$ 31,863,784	185,526,140	4,453,774	9,330,000	2,245,015	—
Deferred revenue	915	—	—	—	—	—
Incurred but not reported claims	—	—	—	—	—	—
Due to other funds	153,770	358,796	8,058	250,204	—	—
Total liabilities	32,018,469	185,884,936	4,461,832	9,580,204	2,245,015	93,157,600
Fund equity						
Retained earnings (deficit)	—	(2,176,330)	—	—	1,773,032	—
Fund balances:						
Reserved	54,229,706	—	12,230,490	4,881,803	—	—
Total liabilities and fund balances	\$ 86,248,175	183,708,606	16,692,322	14,462,007	4,018,047	93,157,600

See accompanying notes to financial statements.

**STATE OF NEW JERSEY
HEALTH BENEFITS PROGRAM FUNDS,
DENTAL EXPENSE PROGRAM FUND AND
PRESCRIPTION DRUG PROGRAM FUNDS**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2001

	HEALTH BENEFITS PROGRAM FUND STATE	DENTAL EXPENSE PROGRAM FUND	PRESCRIPTION DRUG PROGRAM FUND STATE
Revenues and additions:			
Contributions:			
Members	\$ 58,217,339	\$ 28,065,508	\$ 880,398
Employers	550,562,673	26,957,864	147,186,668
Total contributions	608,780,012	55,023,372	148,067,066
Investment income:			
Net appreciation (depreciation) in fair value of investments	27,101	4,847	1,519
Interest	5,339,545	593,486	624,328
Total investment income	5,366,646	598,333	625,847
Total revenues and additions	614,146,658	55,621,705	148,692,913
Expenditures and deductions:			
Benefits	565,896,393	47,649,172	142,246,783
Administrative expense	2,048,841	2,024,185	—
Total expenditures and deductions	567,945,234	49,673,357	142,246,783
Net increase (decrease)	46,201,424	5,948,348	6,446,130
Fund balances (deficit):			
Beginning of year	8,028,282	6,282,142	(1,564,327)
End of year	\$ 54,229,706	\$ 12,230,490	\$ 4,881,803

See accompanying notes to financial statements.

**STATE OF NEW JERSEY
HEALTH BENEFITS PROGRAM FUNDS,
DENTAL EXPENSE PROGRAM FUND AND
PRESCRIPTION DRUG PROGRAM FUNDS**

Statement of Revenues, Expenditures, and Changes in Retained Earnings
Year ended June 30, 2001

	HEALTH BENEFITS PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL
Revenues:		
Contributions:		
Members	\$ 53,823,657	193,279
Employers	889,167,268	29,161,445
Total revenues	942,990,925	29,354,724
Expenses:		
Benefits	1,001,997,519	27,381,064
Administrative expense	4,718,163	—
Total expenses	1,006,715,682	27,381,064
Operating income (loss)	(63,724,757)	1,973,660
Non operating revenue:		
Investment income:		
Net appreciation (depreciation) in fair value of investments	40,153	311
Interest	8,471,142	127,874
Total non operating revenue	8,511,295	128,185
Net income (loss)	(55,213,462)	2,101,845
Retained earnings (deficit):		
Beginning of year	53,037,132	(328,813)
End of year	\$ (2,176,330)	1,773,032

See accompanying notes to financial statements.

**STATE OF NEW JERSEY
HEALTH BENEFITS PROGRAM FUNDS,
DENTAL EXPENSE PROGRAM FUND AND
PRESCRIPTION DRUG PROGRAM FUNDS**

Statement of Cash Flows
Year ended June 30, 2001

	HEALTH BENEFITS PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL
<hr/>		
Cash flows from operating activities:		
Operating income (loss)	\$ (63,724,757)	1,973,660
Adjustments to reconcile operating loss to net cash used by operating activities:		
Change in assets and liabilities:		
(Increase) in accounts receivable	(9,984,286)	(1,620,559)
(Increase) in interfund receivable	(7,382,148)	—
Increase in accounts payable	32,618,215	878,015
Increase in due to other funds	358,796	—
<hr/>		
Net cash used by operating activities	(48,114,180)	1,231,116
<hr/>		
Cash flows from noncapital financing activities:		
Investment income	8,511,295	128,185
Net decrease in investments	41,363,610	(1,377,611)
<hr/>		
Net cash provided by noncapital financing activities	49,874,905	(1,249,426)
<hr/>		
Net increase (decrease) in cash and cash equivalents	1,760,725	(18,310)
<hr/>		
Cash and cash equivalents beginning of year	—	18,310
<hr/>		
Cash and cash equivalents end of year	\$ 1,760,725	—

**STATE OF NEW JERSEY
HEALTH BENEFITS PROGRAM FUNDS,
DENTAL EXPENSE PROGRAM FUND AND
PRESCRIPTION DRUG PROGRAM FUNDS**

Notes to Financial Statements

June 30, 2001

(1) DESCRIPTION OF THE FUNDS

The State of New Jersey sponsors and administers the following funds, and trusts which have been included in the accompanying financial statements of the State of New Jersey Division of Pensions and Benefits:

Special revenue funds:

State Health Benefits Program Fund (SHBP) - State
Dental Expense Program Fund (DEPF)
Prescription Drug Program Fund (PDPF) - State

Enterprise funds:

State Health Benefits Program Fund (SHBP) - Local
Prescription Drug Program Fund (PDPF) - Local

The financial statements of these funds and accounts have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Division's accounting policies are described below.

Reporting entity:

The financial statements include all State and Local Health Benefit Funds, Dental Program Fund, State and Local Prescription Drug Program Fund which are administered by the Division over which operating controls are with the individual funds, or trusts governing Boards and/or the State of New Jersey. The financial statements of the funds and trusts are included in the financial statement of the State of New Jersey; however, the accompanying financial statements are intended to present the funds administered by the Division and not the State of New Jersey as a whole.

Fund accounting:

The accounts of the Division are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that the resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Special revenue funds:

Special revenue funds account for proceeds of specific revenue sources that are legally restricted for expenditure for specified purposes.

**STATE OF NEW JERSEY
HEALTH BENEFITS PROGRAM FUNDS,
DENTAL EXPENSE PROGRAM FUND AND
PRESCRIPTION DRUG PROGRAM FUNDS**

Notes to Financial Statements, Continued

(1) DESCRIPTION OF THE FUNDS, Continued

Enterprise funds:

Enterprise funds account for operations that are financed and operated in a manner similar to business enterprises where the intent is that the costs of providing services on a continuing basis be financed or recovered primarily through user charges.

Long-term debt account group:

General Long-Term Debt Account Group: Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. This includes the non-current portion for the liability for incurred but not reported claims of the Special Revenue Funds.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases, i.e., revenues and other financing additions, and decreases, i.e., expenditures and other deductions, in net assets.

The modified accrual basis of accounting is used for measuring financial position and changes in financial position for special revenue funds. Under this method, revenues are recognized when measurable and available and expenditures are recognized when incurred and measurable.

Incurred but not reported (IBNR) claims are recognized as expenditures to the extent funds are available to meet those claims. The balance is reported in the long-term debt account group.

The focus of enterprise funds measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Fixed Assets

Fixed assets utilized by the Division include equipment which is owned by the State of New Jersey and is included in the general fixed asset account group of the State of New Jersey.

Investment Valuation

Investments, including short-term investments (State of New Jersey Cash Management Funds) are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey Division of Investment, under the jurisdiction of the State Investment Council, has

**STATE OF NEW JERSEY
HEALTH BENEFITS PROGRAM FUNDS,
DENTAL EXPENSE PROGRAM FUND AND
PRESCRIPTION DRUG PROGRAM FUNDS**

Notes to Financial Statements, Continued

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

the investment responsibility for all funds administered by the State of New Jersey Division of Pensions and Benefits. All investments must conform to standards set by state law.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

The purchase, sale, receipt of income, and other transactions affecting investments are governed by custodial agreements between the Funds, through the State Treasurer, and custodian banks as agents for the Funds. State laws and policies set forth the requirements of such agreements and other particulars as to the size of the custodial institutions, amount of the portfolio to be covered by the agreements, and other pertinent matters.

GASB Statement No. 3 requires disclosure of the level of custodial risk assumed by the Funds. Category 1 includes investments that are insured or registered or for which the securities are held by the Funds or its agent in the Funds' name. As of June 30, 2001, all investments held by the Funds (other than mortgages and the State of New Jersey Cash Management Funds which are not categorized) are classified as Category 1.

Federal securities are maintained at Federal Reserve Banks in Philadelphia and New York through the custodian banks in trust for the Funds. A significant portion of corporate equity and debt securities are maintained by the Depository Trust Company (DTC) through the custodian banks in trust for the Funds. The custodian banks as agents for the Funds maintain internal accounting records identifying the securities maintained by the Federal Reserve Banks and the DTC as securities owned by or pledged to the Funds.

Securities not maintained by the Federal Reserve Banks or DTC are in the name of a designated nominee representing the securities of the Funds, which establishes the Funds' unconditional right to the securities.

Membership and Contributing Employers

Membership in the funds and trusts administered by the Division consisted of the following as of June 30, 2001:

	STATE	LOCAL	TOTAL
Health Benefits Program Fund*	131,595	190,999	322,594
Prescription Drug Program Fund	104,267	19,991	124,258
Dental Expense Program Fund	92,012	—	92,012

**active and retired participants*

Administrative Expenses

Administrative expenses are paid by the funds and trusts to the State of New Jersey, Department of the Treasury and are included in the accompanying statements of changes in net assets and fund balances.

**STATE OF NEW JERSEY
HEALTH BENEFITS PROGRAM FUNDS,
DENTAL EXPENSE PROGRAM FUND AND
PRESCRIPTION DRUG PROGRAM FUNDS**

Notes to Financial Statements, Continued

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status

Based on a 1986 declaration of the Attorney General of the State of New Jersey, the funds and trusts are qualified plans as described in Section 401(a) of the Internal Revenue Code.

Cash and Cash Equivalents

GASB Statement No. 3 also requires that deposits held in financial institutions be categorized to indicate the level of risk assumed by the entity. Category 1 consists of deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name. Category 3 consists of deposits which are uninsured and uncollateralized.

Based upon aggregate collateral levels maintained for all State bank accounts as a whole, substantially all cash balances maintained in financial institutions as of June 30, 2001, which includes funding for the July 1, 2001 retirement payroll, are designated category 3.

The categorization of cash and cash equivalents for all State funds can be found in the notes to the general purpose financial statements of the State of New Jersey.

(3) CONTRIBUTIONS

Contribution Requirements - SHBP- State and Local

Contributions to pay for the health premiums of participating employees in the State Health Benefits Program (SHBP) are collected from the State of New Jersey, participating local employers, active members, retired members, the Public Employees' Retirement System (PERS), and the Teachers' Pension and Annuity Fund (TPAF). The State of New Jersey provides contributions for State employees through State appropriations. These appropriations are generally distributed to the SHBP on a monthly basis. Local employer payments, active and retired member contributions, and payments from the PERS and TPAF are generally received on a monthly basis. Certain State employees share in the cost of their premiums, as provided by Chapter 8, P.L. 1996.

Under the provisions of Chapter 8, P.L. 1996, the SHBP implemented premium sharing for employees covered under the State component of the program. Chapter 8 authorizes the State to negotiate premium sharing in the collective bargaining agreements governing employment of State employees. Premium sharing also applies to Retired group coverage for employees who attain 25 years of creditable pension service after July 1, 1997 or who retire on a Disability retirement after that same date. Those employees not represented by any bargaining unit premium share in accordance with rules established by the State Health Benefits Commission. Local group employees are not affected by the premium sharing provisions of Chapter 8, P.L. 1996.

Contribution Requirements - PDPF- State and Local

Contributions to pay for the premiums of participating employees in the Prescription Drug Plan are col-

**STATE OF NEW JERSEY
HEALTH BENEFITS PROGRAM FUNDS,
DENTAL EXPENSE PROGRAM FUND AND
PRESCRIPTION DRUG PROGRAM FUNDS**

Notes to Financial Statements, Continued

(3) CONTRIBUTIONS, Continued

lected from the State of New Jersey, participating local employers, and former active and retired members who have elected to participate under the rules of COBRA. The State of New Jersey provides contributions for State employees through State appropriations. These appropriations are distributed to the Prescription Drug Plan on a monthly basis. Local employer payments as well as COBRA contributions are also received on a monthly basis.

Contribution Requirements - DEPF

Contributions to pay for the premiums of participating employees in the State Employee Dental Program are collected from the State of New Jersey, active employees, and former and retired members who have elected to participate under the rules of COBRA. The cost of the premiums is shared equally by the State of New Jersey and active State employees. Former and retired employees who have chosen to participate under the rules of COBRA pay the full cost of the premium. The State of New Jersey provides contributions through State appropriations. These appropriations are distributed to the SHBP on a biweekly and monthly basis. The active member share of the cost of premiums is paid to the State on a biweekly and monthly basis. Members participating under COBRA remit their payments on a monthly basis.

(4) VESTING AND BENEFITS

Vesting and Benefit Provisions - SHBP - State and Local

The Program provides medical coverage to qualified active and retired participants. Under Chapter 136, P.L. 1977, the State of New Jersey pays for the health insurance coverage of all enrolled retired State employees (regardless of age) whose pensions are based upon 25 years or more of credited service or a disability retirement regardless of years of service. The State of New Jersey also provides free coverage to members of the Public Employees' Retirement System, Teachers' Pension and Annuity Fund, and the Alternate Benefit Program who retire from a board of education or county college with 25 years of service or on a disability retirement. Partially funded benefits are also provided to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents.

Benefit Provisions - PDPF - State and Local

The Program provides coverage to employees and their eligible dependents for drugs which under federal or State law may be dispensed only upon a prescription written by a physician. State and local employees are eligible for coverage after 60 days of employment.

Benefit Provisions - DEPF

The Program provides coverage to employees and their eligible dependents for dental services performed by a qualified dentist. State employees are eligible for coverage after 60 days of employment.

**STATE OF NEW JERSEY
HEALTH BENEFITS PROGRAM FUNDS,
DENTAL EXPENSE PROGRAM FUND AND
PRESCRIPTION DRUG PROGRAM FUNDS**

Notes to Financial Statements, Continued

(5) RESERVES

The Funds maintain the following legally required reserves as follows:

Reserve Fund - SHBP - State (\$54,229,706); PDPF - State (\$4,881,803); and DEPF (\$12,230,490)

The fund balances of the SHBP - State, PDPF - State, and DEPF are available to pay claims of future periods. These reserves are maintained by the Funds to stabilize rates and to meet unexpected increase in claims. Since these funds are classified as special revenue funds, IBNR claims as of June 30, 2001 are reported in the State's general long-term debt account group.

Reserve Fund - SHBP - Local (-\$2,176,330); PDPF - Local (\$1,773,032)

The SHBP - local has a fund deficit of \$2,176,330 as of June 30, 2001. This deficit is expected to be made up by some future rate action.

The PDPF - local has retained earnings, that are available to pay claims of future periods and stabilize rates.

(6) UNPAID CLAIMS LIABILITIES

As discussed in Note 2, the Fund establishes a liability for both reported and unreported claims, which includes estimates of future payments of claims and related claim adjustment expenses. The following represent changes in those aggregate liabilities for the Funds during the year:

<u>LOCAL</u>	<u>HEALTH BENEFITS PROGRAM FUND</u>	<u>PRESCRIPTION DRUG PROGRAM FUND</u>
Unpaid claims at beginning of year	\$ 152,907,925	\$ 1,367,000
Incurred claims:		
Provision for insured events of current year	1,001,997,519	27,381,065
Payments	969,379,304	26,503,050
Unpaid claims at end of year	\$ 185,526,140	\$ 2,245,015

**STATE OF NEW JERSEY
HEALTH BENEFITS PROGRAM FUNDS,
DENTAL EXPENSE PROGRAM FUND
AND PRESCRIPTION DRUG PROGRAM FUNDS**

Required Supplementary Information -
Schedule of Loss Development Information

June 30, 2001

HEALTH BENEFITS PROGRAM FUND - LOCAL	FISCAL YEAR ENDED JUNE 30 2001
Premiums and investment revenue Earned	\$ 942,990,925
Estimated losses and expenses	1,006,715,682
PRESCRIPTION DRUG PROGRAM FUND - LOCAL	FISCAL YEAR ENDED JUNE 30 2001
Premiums and investment revenue Earned	\$ 29,354,724
Estimated losses and expenses	27,381,064

New Jersey State Health Benefits Program
Related State Legislation

The State Health Benefits Program was established by state statute, cited as N.J.S.A. 52:14-17.25 et. seq. A brief description of the key laws modifying this section of the statute is provided below.

- Chapter 49, P.L. 1961** established the State Health Benefits Program. The State Health Benefits Commission was authorized to solicit and award contracts for hospitalization, medical-surgical, and major medical insurance benefits with the cost to be paid by the State for employee coverage. Optional coverage for dependents was to be provided at the employee's expense.
- Chapter 125, P.L. 1964** permitted State Health Benefits Program coverage for local public employees at the option of each public employer. This law also allowed continuation of coverage from the Active Group into the Retired Group.
- Chapter 75, P.L. 1972** provided for state payment of retired health benefits coverage of all enrolled retired state employees and their dependents, retired after July 1, 1972, whose pensions are based on 25 years of credited service (except those who elected a deferred retirement) or a disability retirement based on fewer years credited service. It also provided for state reimbursement of Part B Medicare premiums for eligible retired State employees and their dependents.
- Chapter 111, P.L. 1973** allowed local employers to elect to pay for health benefits coverage and reimburse Part B Medicare premiums of certain eligible retired employees and their dependents. Eligible employees include those who had retired on or after July 1, 1972, and receive a retirement benefit from a state- or locally-administered retirement system based on 25 years of credited service (excluding those who elected a deferred retirement) or retired on a disability pension based on fewer years service.
- Chapter 337, P.L. 1973** allowed an employee to elect to enroll in a Health Maintenance Organization. The employee is permitted to elect HMO participation at least once a year.
- Chapter 88, P.L. 1974** allowed local employers who had adopted the provisions of Chapter 111, P.L. 1973, to extend coverage to eligible enrolled retirees who retired between July 1, 1964, and June 30, 1972.
- Chapter 136, P.L. 1977** amended Chapter 75, P.L. 1972 to extend the eligibility for State-paid coverage to those otherwise eligible retirees who retired between July 1, 1964, and June 30, 1972, and were enrolled for Retired Group coverage.
- Chapter 54, P.L. 1979** allowed local employers who had adopted the provisions of Chapter 88, P.L. 1974 to extend benefits to those eligible retirees who had retired between July 1, 1964, and the date the employer joined the SHBP.
- Chapter 436, P.L. 1981** allowed employers who adopted the provisions of Chapter 88, P.L. 1974, to also include surviving spouses of eligible retirees. The law also gave employers who had adopted Chapter 88, P.L. 1974, the option of including otherwise eligible employees who retired after the employer joined the SHBP but who had not continued coverage into retirement because they had to pay for it.
- Chapter 384, P.L. 1987**, although designed to bring benefits for retired teachers in line with those for state retirees, affected many other retirees also. The law permitted the Teachers' Pension and Annuity Fund

(TPAF) to pay for the State Health Benefits Program coverage of members receiving retirement allowances based upon 25 or more years of credited service or a disability retirement (regardless of years of service). In addition to paying for the cost of coverage, the pension fund reimburses eligible retirees and/or covered spouses for the cost of Part B (medical insurance) of the federal Medicare program. The TPAF began paying for coverage as of June 1, 1988. Those eligible retirees not already enrolled were given an opportunity through May 31, 1988, to enroll in the program. One of the most important features of this law is that it applies to all eligible TPAF members (except those who elected a deferred retirement - adjusted by Chapter 126, P.L. 1992), not just those who belong to the State Health Benefits Program while actively employed. Beginning June 1, 1988, a new TPAF retiree qualifying for TPAF-paid coverage was offered the opportunity to join this program.

Another important feature of Chapter 384 was the elimination of the July 1, 1964, restrictions. Previously only those who retired on or after that date could enroll in the State Program. This allowed TPAF members who were eligible for TPAF-paid coverage to join the program regardless of their retirement date. Further, the law amended Chapter 136, P.L. 1977, to permit the State to pay for the coverage of eligible state individuals who retired prior to July 1, 1964; those eligible former state employees who had retired prior to July 1, 1964, even those who had not been teachers, were given an opportunity to enroll as of June 1, 1988. Finally, the law amended Chapter 54, P.L. 1979, to permit local employers who have adopted the provisions of Chapter 88, P.L. 1974, as amended by Chapter 436, P.L. 1981, to also agree to include all former employees who retired before the location joined the State Plan. Originally, Chapter 54 only applied to those who retired on or after July 1, 1964.

Chapter 386, P.L. 1987 required that, as of June 1, 1988, all boards of education in New Jersey must give their retirees an opportunity to join the employer's current health insurance plan. For a one-year period (from June 1, 1988, through May 31, 1989) former employees who were not eligible under another plan (for instance, those eligible under Chapter 384 would not be eligible under Chapter 386) must have been given the opportunity to enroll under the employer's group contract. The retiree would pay the cost of such coverage. If the employer belonged to the State Health Benefits Program, the retiree had the chance to enroll under the State Program regardless of the retirement date.

Chapter 6, P.L. 1989 redefined the qualifications of the carriers or providers of the health benefits with whom the State Health Benefits Commission may contract in order to provide such benefits to participants in the State Health Benefits Program. This law eliminated the former requirements that basically forced the SHBP to use two specific carriers.

Chapter 48, P.L. 1989 established the same major medical benefits limit for retired employees in the State Health Benefits Program as is provided to active employees. The lifetime maximum available to retirees was previously significantly less than that provided Active Group employees.

Chapter 127, P.L. 1989 permits school employees who have been employed under a permanent appointment for at least three years to continue State Health Benefits Program coverage when they are on an approved leave of absence with or without pay up to a maximum of two years. The employer may pay the premiums for such coverage in these instances.

Chapter 271, P.L. 1989 provides that the State shall pay the State Health Benefits Program (SHBP) costs for the surviving spouse and dependent children of members of the Police and Firemen's Retirement System (PFRS) and the State Police Retirement System (SPRS) who die as a result of an accident met in the actual performance of their duties. Such surviving spouses and dependent children can enroll in the SHBP or, if enrolled in a local employer's plan, can obtain reimbursement of required premiums from the State. This law was approved on January 8, 1990, and applies to all present surviving spouses and dependent

children of members for whom an accidental death benefit was payable.

Chapter 6, P.L. 1990 provides, in addition to other matters, that the premiums or periodic charges which the State is required to pay for the post-retirement health care benefits under the SHBP to retired state employees of PERS and their dependents shall be paid by the retirement system and shall be funded in a manner similar to that provided for the funding of employer obligations for retirement benefits. This law was effective March 8, 1990.

Chapter 126, P.L. 1992 provides that members of the Public Employees' Retirement System (PERS) and the Alternate Benefits Program (ABP) who retired from a school board of education or a county college with a benefit based upon 25 or more years of service or on a disability pension based upon fewer years of service credit and receive a retirement allowance from that system are eligible for state-paid health coverage regardless of employers' participation in the SHBP

Members of PERS, TPAF, and ABP who retire from a school board of education or county college and elect deferred retirement based upon 25 or more years of service credit and receive a retirement allowance from that system will be eligible to enroll in the SHBP This law also provides for the State to reimburse Part B Medicare premiums for the retirees' extended benefits under its provisions.

Chapter 8, P.L. 1993 provides that members of PERS, TPAF, and PFRS who retire from a school board of education, vocational/technical school, or a special service commission may be eligible to join the SHBP providing they meet the following requirements: the member is currently participating in the health benefit plan of the employer for whom (s)he was previously employed, and (s)he is eligible for the full Medicare Parts A and B.

This law also imposes a surcharge on insurance carriers (including hospital service corporations, medical service corporations, health service corporations, and health maintenance organizations) that provide health coverage to local boards of education that do not participate in the SHBP.

Chapter 275, P.L. 1994 makes special provisions for retirement coverage and Medicare reimbursement for a select group of county judicial employees from seven counties who became state employees under the terms of the State Judicial Unification Act. This law was enacted to fulfill the mandate of a 1993 constitutional referendum moving control of county courts to the State. The purpose of the law was to authorize the continuation of certain contractual benefits.

Chapter 259, P.L. 1995 authorizes municipalities which participate in the SHBP or another group health benefits plan to allow an employee who is enrolled for health care coverage as a dependent of his/her spouse to waive coverage to which (s)he is entitled as an employee of the municipality. It permits a municipality to pay an employee an amount not to exceed 50% of the amount saved by the municipality because of the waiver. Any municipal employee waiving coverage under the SHBP must file such waiver with the Division. Further, an employee who waives coverage shall be able to immediately resume coverage under the SHBP if the employee ceases to be covered by the spouse for any reason by filing a declaration with the Division that the waiver is revoked.

Chapter 8, P.L. 1996 applies to state employees in the executive, legislative, and judicial branches of government as well as employees of the state universities and colleges and independent commissions and agencies participating in the SHBP. The law applies to local employers only with regards to provisions affecting Medicare reimbursement for active employees and the HMO coverage restrictions. Chapter 8, P.L. 1996 ends Medicare reimbursement for active employees and their spouses; prohibits dual coverage by any individual in two SHBP HMO contracts; allows active employee premium sharing resulting from labor con-

tract agreements; allows retiree premium sharing resulting from labor contract agreements; allows adjustments to retiree Medicare reimbursement resulting from labor contract agreements; authorizes the State Health Benefits Commission to establish rules governing active employee and retiree premium sharing and retiree Medicare reimbursement for employees not represented by labor unions, that is, for non-aligned employees; and grandfathers retired health coverage and retiree Medicare reimbursement for employees who retire prior to July 1, 1997, and employees who have 25 years of credited pension service before July 1, 1997, regardless of when they retire (except for deferred retirements).

Chapter 94, P.L. 1997 requires the State Health Benefits Program to provide coverage for a minimum of 72 hours of inpatient care following a modified radical mastectomy and a minimum of 48 hours of inpatient care following a simple mastectomy. The law also provides that a carrier under the program shall not require a health care provider to obtain authorization from the carrier for prescribing 72 or 48 hours, as appropriate, of inpatient care. The law shall not be construed to require a patient to receive inpatient care for 72 or 48 hours, as appropriate, if the patient in consultation with the patient's physician determines that a shorter length of stay is medically appropriate or relieve a patient or physician from any insurer notification requirements.

Chapter 330, P.L. 1997 provides health benefits to qualified retirees and their dependents (but not survivors), from the Police and Firemen's Retirement System (PFRS), the Consolidated Police and Firemen's Pension Fund (CPFPPF), or the Public Employees' Retirement System (PERS) if the service was as a law enforcement officer or in a position eligible for participation in the PFRS. A qualified retiree is one who:

1. retires with 25 or more years of service or on a disability retirement;
2. retires from an employer who does not currently provide any payment or compensation toward the cost of health benefits to the retiree for any period of time;
3. was eligible to receive health benefits coverage at the expense of the employer immediately preceding retirement; and
4. has no other employer group coverage as an "employee" as a result of employment while retired.

The State pays 80% of the cost of coverage for the least expensive plan covering all 21 counties in the State. The retiree pays the rest. Qualified retirees are eligible regardless of whether the retiree's employer participated in the SHBP.

Chapter 335, P.L. 1997 provides State paid health benefits to a retired State employee and any dependents (not including survivors), to employees who retire under the State Police Retirement System (SPRS) prior to January 12, 1998 with more than 20 but less than 25 years of service credit in the SPRS; were subsequently employed by the State in another position(s) not covered by the SPRS; and have in the aggregate, at least 30 years of full-time employment with the State. To be eligible the employee must be covered by the SHBP at the time of terminating full-time employment with the State.

Chapter 338, P.L. 1997 requires hospital, medical and health service corporations, individual, small employer and large group insurers, health maintenance organizations and the New Jersey State Health Benefits Program (SHBP) to provide coverage for the therapeutic treatment of inherited metabolic diseases, including the purchase of medical foods and low protein modified food products, when diagnosed and determined to be medically necessary by the covered person's physician. An "inherited metabolic disease" is defined as a disease caused by an inherited abnormality of body chemistry such as phenylketonuria (PKU). A "Low protein modified food product" is a food product that is specially formulated to have less than one gram of protein per serving and is intended to be used under the direction of a physi-

cian for the dietary treatment of an inherited metabolic disease, but does not include a natural food that is naturally low in protein; and "medical food" is a food that is intended for the dietary treatment of a disease or condition for which nutritional requirements are established by medical evaluation and is formulated to be consumed under direction of a physician.

Chapter 44, P.L. 1998 abolishes the Department of Commerce and Economic Development and creates the New Jersey Commerce and Economic Growth Commission. Section 7 of the bill states that employees of the commission shall be enrolled in the Public Employees' Retirement System and shall be eligible to participate in the State Health Benefits Program. The Commission can, however, elect to provide health benefits for its employees through private insurance policies, hospital and medical service corporations, HMOs, or any other manner available for the provision of health benefits, provided that the types of benefits do not provide less coverage than those benefits provided to other State employees.

Chapter 48, P.L. 1999 changes the way local employers participating in the State Health Benefits Program (SHBP) can provide post-retirement health benefit coverage to its retired employees. The law makes the age and service eligibility requirements for employer payment of SHBP health benefits coverage for retired employees the same as the requirements of N.J.S.40A:10-23 currently applicable to local government employers that do not participate in SHBP. The employer may, by filing a resolution with the Division of Pensions and Benefits, assume the cost of post retirement medical coverage for employees (and their dependents) who:

1. retired on a disability pension; or
2. retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement, such period as established by the employer; or
3. retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement, such period as established by the employer; or
4. retired and reached age 62 with at least 15 years of service with the employer.

Further, the law provides that the employer payment obligations for retiree coverage may be determined by means of a collective negotiations agreement. With respect to employees for whom there is no majority representative for collective negotiations purposes, the employer may, in its sole discretion, determine the payment obligations for the employer and the employees, except that if there are collective negotiations agreements binding upon the employer for employees who are within the same community of interest as employees in a collective negotiations unit, the payment obligations shall be determined in a manner consistent with the terms of any collective negotiations agreement applicable to the collective negotiations unit. This provision applies to all local employers except an independent State authority, board, commission, corporation, agency or organization covered by Chapter 8, P. L. 1996, and school boards.

This law includes a grandfather provision which provides that the payment obligations of an employee for SHBP coverage in retirement shall be the payment obligations applicable to the employee on the date the employee retires on a disability pension or the date the employee meets the age and service requirements for employer payment for the coverage, as the case may be.

Chapter 390, P.L. of 1999 impacts the insured managed care plans that participate in the SHBP. This law requires carriers which offer managed care plans, including health maintenance organizations and pre-

ferred provider organizations and selective contracting arrangements offered by health insurance companies in the State, to provide for the continuation of treatment by a physician, under certain circumstances, in the event that the physician is no longer employed by the carrier.

Specifically, the law permits a covered person who is receiving post-operative follow-up care, oncological treatment, psychiatric treatment or obstetrical care by a physician who is employed by or under contract with a carrier at the time the treatment is initiated, to continue to be treated by that physician for the duration of the treatment in the event that the physician is no longer employed by or under contract with the carrier as follows:

- (1) for a period not to exceed six months in the case of post-operative follow-up care;
- (2) for a period not to exceed one year in the case of oncological treatment and psychiatric treatment; and
- (3) through the duration of a pregnancy and up to six weeks after delivery in the case of obstetrical care.

The continuation of treatment by a particular physician shall be at the option of the covered person.

The law also provides that a carrier which offers a managed care plan shall provide in that plan for continued coverage of other health care services by a physician who was employed by or under contract with the carrier at the time the treatment was initiated, but is no longer employed by or under contract with the carrier, for up to 120 calendar days in cases where it is medically necessary for the covered person to continue treatment with that physician.

Health care benefits or services, as applicable, shall be provided by the health benefits plan for treatment of the specified conditions and any medically necessary treatment to the same extent as such benefits or services were provided while the physician was employed by or under contract with the carrier. Reimbursement for the health care services shall be pursuant to the same fee schedule used to reimburse for the services when the physician was employed by or under contract with the carrier.

The law provides that a carrier shall not be liable for any inappropriate treatment provided to the covered person by a physician who is no longer employed by or under contract with the carrier. Also, the provisions of the law shall not apply to health care services provided by a physician who is the subject of disciplinary action by the State Board of Medical Examiners.

This law was approved on January 18, 2000.

Chapter 441, Public Law of 1999 requires that the State Health Benefits Commission provide the same coverage for biologically-based mental illness to persons covered under the State Health Benefits Program as that required for other health insurers and health maintenance organizations under P.L.1999, c.106.

Specifically, this law:

- requires that coverage be provided for biologically-based mental illness under the same terms and conditions as provided for any other sickness under the contract;
- defines "biologically-based mental illness" as a mental or nervous condition that is caused by a biological disorder of the brain and results in a clinically significant or psychological syndrome or pattern that substantially limits the functioning of the person with the illness, including but not limited to, schizophrenia, schizoaffective disorder, major depressive disorder, bipolar disorder, paranoia and other psychotic disorders, obsessive-compulsive disorder, panic disorder and pervasive developmental disorder or autism;

- defines "same terms and conditions" to mean that a health insurance carrier cannot apply different copayments, deductibles or benefit limits to biologically-based mental health benefits than those applied to other medical or surgical benefits;
- stipulates that its provisions shall not be construed to change the manner in which a health insurance carrier determines:
 - a. whether a mental health care service meets the medical necessity standard as established by the carrier; or
 - b. which health care providers shall be entitled to reimbursement for providing services for mental illness under the contract; and
- requires the State Health Benefits Commission to provide notice to employees regarding the coverage required by this bill in accordance with the provisions of the bill and regulations adopted by the Commissioner of Health and Senior Services.

The law clarifies that its provisions are an exception to the provisions in N.J.S.A.52:14-17.29, which provides for annual and lifetime caps on eligible expenses incurred because of mental illness or functional nervous disorders (a category which is broader than the biologically-based mental illnesses addressed in this law) that are lower than for major medical expense benefits.

This law was approved on January 18, 2000.

**NEW JERSEY STATE HEALTH BENEFITS PROGRAM
STATE MONTHLY ACTIVE GROUP
RATES EFFECTIVE 7/1/2000 TO 12/31/2001**

	DESCRIPTION OF COVERAGE	STATE CONTRIBUTION	MAXIMUM EMPLOYEE CONTRIBUTION	TOTAL
NJ PLUS - #001	Single	\$182.13	—	\$182.13
	Member & Spouse	\$396.98	—	\$396.98
	Family	\$472.51	—	\$472.51
	Parent & Child	\$274.00	—	\$274.00
TRADITIONAL PLAN - #002	Single	\$196.72	\$ 91.40	\$288.12
	Member & Spouse	\$430.78	\$185.87	\$616.65
	Family	\$512.05	\$221.88	\$733.93
	Parent & Child	\$298.74	\$126.83	\$425.57
HORIZON HMO - #010	Single	\$214.95	—	\$214.95
	Member & Spouse	\$471.78	—	\$471.78
	Family	\$559.97	—	\$559.97
	Parent & Child	\$324.98	—	\$324.98
AETNA/USHC - #019	Single	\$214.95	—	\$214.95
	Member & Spouse	\$471.78	—	\$471.78
	Family	\$559.97	—	\$559.97
	Parent & Child	\$324.98	—	\$324.98
CIGNA HEALTHCARE - #020	Single	\$217.60	—	\$217.60
	Member & Spouse	\$474.90	—	\$474.90
	Family	\$566.41	—	\$566.41
	Parent & Child	\$326.82	—	\$326.82
OXFORD - #028	Single	\$229.33	—	\$229.33
	Member & Spouse	\$504.43	—	\$504.43
	Family	\$596.16	—	\$596.16
	Parent & Child	\$343.99	—	\$343.99
AMERIHEALTH - #033	Single	\$213.88	—	\$213.88
	Member & Spouse	\$475.97	—	\$475.97
	Family	\$554.09	—	\$554.09
	Parent & Child	\$315.72	—	\$315.72
HEALTHNET - #034	Single	\$223.60	—	\$223.60
	Member & Spouse	\$487.05	—	\$487.06
	Family	\$592.80	—	\$592.80
	Parent & Child	\$343.90	—	\$434.90
UNIVERSITY - #036	Single	\$204.42	—	\$204.42
	Member & Spouse	\$449.65	—	\$449.65
	Family	\$531.43	—	\$531.43
	Parent & Child	\$306.63	—	\$306.63
PRESCRIPTION DRUG PROGRAM	Single	\$ 66.19	—	\$ 66.19
	Member & Spouse	\$155.16	—	\$155.16
	Family	\$156.70	—	\$156.70
	Parent & Child	\$ 88.34	—	\$ 88.34

(FOR EMPLOYERS **WITHOUT** A PRESCRIPTION DRUG PLAN)

NEW JERSEY STATE HEALTH BENEFITS PROGRAM
LOCAL MONTHLY ACTIVE GROUP - EDUCATION EMPLOYERS
RATES EFFECTIVE 7/1/2000 TO 12/31/2001

PROGRAM	DESCRIPTION OF COVERAGE	EMPLOYER SINGLE COST	DEPENDENT COST	TOTAL
NJ PLUS - #001	Single	\$204.85	—	\$204.85
	Member & Spouse	\$206.05	\$249.87	\$455.92
	Family	\$206.49	\$323.96	\$530.45
	Parent & Child	\$205.38	\$97.10	\$302.48
TRADITIONAL PLAN - #002	Single	\$260.25	—	\$260.25
	Member & Spouse	\$261.45	\$303.50	\$564.95
	Family	\$261.89	\$399.23	\$661.12
	Parent & Child	\$260.78	\$117.87	\$378.65
HORIZON HMO - #010	Single	\$277.11	—	\$277.11
	Member & Spouse	\$278.31	\$320.28	\$598.59
	Family	\$278.75	\$409.76	\$688.51
	Parent & Child	\$277.64	\$114.67	\$392.31
AETNA/USHC - #019	Single	\$263.76	—	\$263.76
	Member & Spouse	\$264.96	\$307.19	\$572.15
	Family	\$265.40	\$381.12	\$646.52
	Parent & Child	\$264.29	\$101.31	\$365.60
CIGNA HEALTHCARE -#020	Single	\$279.89	—	\$279.89
	Member & Spouse	\$281.09	\$320.63	\$601.72
	Family	\$281.53	\$413.42	\$694.95
	Parent & Child	\$280.42	\$113.73	\$394.15
OXFORD - #028	Single	\$252.16	—	\$252.16
	Member & Spouse	\$253.36	\$301.29	\$554.65
	Family	\$253.80	\$401.71	\$655.51
	Parent & Child	\$252.69	\$125.53	\$378.22
AMERIHEALTH - #033	Single	\$273.28	—	\$273.28
	Member & Spouse	\$274.48	\$333.77	\$608.25
	Family	\$274.92	\$433.08	\$708.00
	Parent & Child	\$273.81	\$129.58	\$403.39
HEALTHNET - #034	Single	\$253.48	—	\$253.48
	Member & Spouse	\$254.68	\$297.46	\$552.14
	Family	\$255.12	\$415.14	\$670.26
	Parent & Child	\$254.01	\$134.83	\$388.84
UNIVERSITY - #036	Single	\$239.08	—	\$239.08
	Member & Spouse	\$240.28	\$285.63	\$525.91
	Family	\$240.72	\$380.84	\$621.56
	Parent & Child	\$239.61	\$118.49	\$358.10

(FOR EMPLOYERS WITH A PRESCRIPTION DRUG PLAN)

NEW JERSEY STATE HEALTH BENEFITS PROGRAM
LOCAL MONTHLY ACTIVE GROUP - EDUCATION EMPLOYERS
RATES EFFECTIVE 7/1/2000 TO 12/31/2001

PROGRAM	DESCRIPTION OF COVERAGE	EMPLOYER SINGLE COST	DEPENDENT COST	TOTAL
NJ PLUS - #001	Single	\$176.74	—	\$176.74
	Member & Spouse	\$177.94	\$215.42	\$393.36
	Family	\$178.38	\$279.30	\$457.68
	Parent & Child	\$177.27	\$83.71	\$260.98
TRADITIONAL PLAN - #002	Single	\$230.03	—	\$230.03
	Member & Spouse	\$231.23	\$270.47	\$501.70
	Family	\$231.67	\$354.77	\$586.44
	Parent & Child	\$230.56	\$105.03	\$335.59
HORIZON HMO - #010	Single	\$214.95	—	\$214.95
	Member & Spouse	\$216.15	\$255.63	\$471.78
	Family	\$216.59	\$343.38	\$559.97
	Parent & Child	\$215.48	\$109.50	\$324.98
AETNA/USHC - #019	Single	\$201.60	—	\$201.60
	Member & Spouse	\$202.80	\$242.54	\$445.34
	Family	\$203.24	\$314.75	\$517.99
	Parent & Child	\$202.13	\$96.14	\$298.27
CIGNA HEALTHCARE - #020	Single	\$217.73	—	\$217.73
	Member & Spouse	\$218.93	\$255.97	\$474.90
	Family	\$219.37	\$347.04	\$566.41
	Parent & Child	\$218.26	\$108.56	\$326.82
OXFORD - #028	Single	\$229.33	—	\$229.33
	Member & Spouse	\$230.53	\$273.90	\$504.43
	Family	\$230.97	\$365.19	\$596.16
	Parent & Child	\$229.86	\$114.13	\$343.99
AMERIHEALTH - #033	Single	\$213.88	—	\$213.88
	Member & Spouse	\$215.08	\$260.89	\$475.97
	Family	\$215.52	\$338.57	\$554.09
	Parent & Child	\$214.41	\$101.31	\$315.72
HEALTHNET - #034	Single	\$223.60	—	\$223.60
	Member & Spouse	\$224.80	\$262.25	\$487.05
	Family	\$225.24	\$367.56	\$592.80
	Parent & Child	\$224.13	\$119.77	\$343.90
UNIVERSITY - #036	Single	\$204.42	—	\$204.42
	Member & Spouse	\$205.62	\$244.03	\$449.65
	Family	\$206.06	\$325.37	\$531.43
	Parent & Child	\$204.95	\$101.68	\$306.63
PRESCRIPTION DRUG-#201	Single	\$ 71.47	—	\$ 71.47
	Member & Spouse	\$167.56	—	\$167.56
	Family	\$169.24	—	\$169.24
	Parent & Child	\$95.42	—	\$95.42

(FOR EMPLOYERS **WITHOUT** A PRESCRIPTION DRUG PLAN)

NEW JERSEY STATE HEALTH BENEFITS PROGRAM
LOCAL MONTHLY ACTIVE GROUP - (EXCLUDES EDUCATION EMPLOYERS)
RATES EFFECTIVE 7/1/2000 TO 12/31/2001

PROGRAM	DESCRIPTION OF COVERAGE	EMPLOYER SINGLE COST	DEPENDENT COST	TOTAL
NJ PLUS - #001	Single	\$216.94	—	\$216.94
	Member & Spouse	\$218.14	\$264.69	\$482.83
	Family	\$218.58	\$343.20	\$561.78
	Parent & Child	\$217.47	\$102.87	\$320.34
TRADITIONAL PLAN - #002	Single	\$281.11	—	\$281.11
	Member & Spouse	\$282.31	\$327.95	\$610.26
	Family	\$282.75	\$431.41	\$714.16
	Parent & Child	\$281.64	\$127.37	\$409.01
HORIZON HMO - #010	Single	\$277.11	—	\$277.11
	Member & Spouse	\$278.31	\$320.28	\$598.59
	Family	\$278.75	\$409.76	\$688.51
	Parent & Child	\$277.64	\$114.67	\$392.31
AETNA/USHC - #019	Single	\$263.76	—	\$263.76
	Member & Spouse	\$264.96	\$307.19	\$572.15
	Family	\$265.40	\$381.12	\$646.52
	Parent & Child	\$264.29	\$101.31	\$365.60
CIGNA HEALTHCARE - #020	Single	\$279.89	—	\$279.89
	Member & Spouse	\$281.09	\$320.63	\$601.72
	Family	\$281.53	\$413.42	\$694.95
	Parent & Child	\$280.42	\$113.73	\$394.15
OXFORD - #028	Single	\$252.16	—	\$252.16
	Member & Spouse	\$253.36	\$301.29	\$554.65
	Family	\$253.80	\$401.71	\$655.51
	Parent & Child	\$252.69	\$125.53	\$378.22
AMERIHEALTH - #033	Single	\$273.28	—	\$273.28
	Member & Spouse	\$274.48	\$333.77	\$608.25
	Family	\$274.92	\$433.08	\$708.00
	Parent & Child	\$273.81	\$129.58	\$403.39
HEALTHNET - #034	Single	\$253.48	—	\$253.48
	Member & Spouse	\$254.68	\$297.46	\$552.14
	Family	\$255.12	\$415.14	\$670.26
	Parent & Child	\$254.01	\$134.83	\$388.84
UNIVERSITY - #036	Single	\$239.08	—	\$239.08
	Member & Spouse	\$240.28	\$285.63	\$525.91
	Family	\$240.72	\$380.84	\$621.56
	Parent & Child	\$239.61	\$118.49	\$358.10

(FOR EMPLOYERS WITH A PRESCRIPTION DRUG PLAN)

NEW JERSEY STATE HEALTH BENEFITS PROGRAM
LOCAL MONTHLY ACTIVE GROUP - (EXCLUDES EDUCATION EMPLOYERS)
RATES EFFECTIVE 7/1/2000 TO 12/31/2001

DESCRIPTION PROGRAM	EMPLOYER OF COVERAGE	DEPENDENT SINGLE COST	COST	TOTAL
NJ PLUS - #001	Single	\$197.19	—	\$197.19
	Member & Spouse	\$198.39	\$240.49	\$438.88
	Family	\$198.83	\$311.82	\$510.65
	Parent & Child	\$197.72	\$93.45	\$291.17
TRADITIONAL PLAN - #002	Single	\$253.23	—	\$253.23
	Member & Spouse	\$254.43	\$297.89	\$552.32
	Family	\$254.87	\$390.75	\$645.62
	Parent & Child	\$253.76	\$115.70	\$369.46
HORIZON HMO - #010	Single	\$214.95	—	\$214.95
	Member & Spouse	\$216.15	\$255.63	\$471.78
	Family	\$216.59	\$343.38	\$559.97
	Parent & Child	\$215.48	\$109.50	\$324.98
AETNA/USHC - #019	Single	\$201.60	—	\$201.60
	Member & Spouse	\$202.80	\$242.54	\$445.34
	Family	\$203.24	\$314.75	\$517.99
	Parent & Child	\$202.13	\$96.14	\$298.27
CIGNA HEALTHCARE - #020	Single	\$217.73	—	\$217.73
	Member & Spouse	\$218.93	\$255.97	\$474.90
	Family	\$219.37	\$347.04	\$566.41
	Parent & Child	\$218.26	\$108.56	\$326.82
OXFORD - #028	Single	\$229.33	—	\$229.33
	Member & Spouse	\$230.53	\$273.90	\$504.43
	Family	\$230.97	\$365.19	\$596.16
	Parent & Child	\$229.86	\$114.13	\$343.99
AMERIHEALTH - #033	Single	\$213.88	—	\$213.88
	Member & Spouse	\$215.08	\$260.89	\$475.97
	Family	\$215.52	\$338.57	\$554.09
	Parent & Child	\$214.41	\$101.31	\$315.72
HEALTHNET - #034	Single	\$223.60	—	\$223.60
	Member & Spouse	\$224.80	\$262.25	\$487.05
	Family	\$225.24	\$367.56	\$592.80
	Parent & Child	\$224.13	\$119.77	\$343.90
UNIVERSITY - #036	Single	\$204.42	—	\$204.42
	Member & Spouse	\$205.62	\$244.03	\$449.65
	Family	\$206.06	\$325.37	\$531.43
	Parent & Child	\$204.95	\$101.68	\$306.63
PRESCRIPTION DRUG - #201	Single	\$71.47	—	\$71.47
	Member & Spouse	\$167.56	—	\$167.56
	Family	\$169.24	—	\$169.24
	Parent & Child	\$95.42	—	\$95.42

**NEW JERSEY STATE HEALTH BENEFITS PROGRAM
DENTAL PROGRAM
MONTHLY GROUP RATES EFFECTIVE 7/1/2000 TO 12/31/2001**

DENTAL EXPENSE PLAN - STATE MONTHLY GROUP - #399

DESCRIPTION OF COVERAGE	EMPLOYER SHARE	EMPLOYEE SHARE	TOTAL
SINGLE	\$19.14	\$19.14	\$38.28
MEMBER & SPOUSE	\$29.51	\$29.50	\$59.01
FAMILY	\$48.94	\$48.94	\$97.88
PARENT & CHILD	\$38.56	\$38.55	\$77.11

DPO PLAN - STATE MONTHLY GROUP

DPO UNIT #	DPO CARRIER
306	GROUP DENTAL HEALTH ADMINISTRATORS
307	INTERNATIONAL HEALTH CARE SERVICES
308	ORACARE DENTAL ASSOCIATES
311	UNITY DENTAL HEALTH SERVICES
312	FLAGSHIP HEALTH SYSTEMS, INC.
317	HORIZON DENTAL CHOICE
319	PRUDENTIAL DMO

DESCRIPTION OF COVERAGE	EMPLOYER SHARE	EMPLOYEE SHARE	TOTAL
SINGLE	\$ 8.47	\$ 8.46	\$ 16.93
MEMBER & SPOUSE	\$14.72	\$14.71	\$29.43
FAMILY	\$24.08	\$24.07	\$48.15
PARENT & CHILD	\$17.84	\$17.84	\$35.68

DPO UNIT #	DPO CARRIER
305	CIGNA DENTAL HEALTH, INC.

DESCRIPTION OF COVERAGE	EMPLOYER SHARE	EMPLOYEE SHARE	EMPLOYEE TOTAL
SINGLE	\$ 8.68	\$ 8.67	\$ 17.35
MEMBER & SPOUSE	\$15.09	\$15.08	\$30.17
FAMILY	\$24.68	\$24.67	\$49.35
PARENT & CHILD	\$18.29	\$18.28	\$36.57

DPO UNIT #	DPO CARRIER
301	ATLANTIC SOUTHERN DENTAL FOUNDATION
302	COMMUNITY DENTAL ASSOCIATES

DESCRIPTION OF COVERAGE	EMPLOYER SHARE	EMPLOYEE SHARE	EMPLOYEE TOTAL
SINGLE	\$ 8.89	\$ 8.89	\$ 17.78
MEMBER & SPOUSE	\$15.45	\$15.45	\$30.90
FAMILY	\$25.28	\$25.28	\$50.56
PARENT & CHILD	\$18.73	\$18.73	\$37.46

