

# Report on Changes to the State Health Benefit Program & Recommendations for Open Enrollment October 2011

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In June 2011, the New Jersey Legislature passed healthcare legislation imposing contributions for healthcare without collective bargaining. The contributions are phased in over 4 years and they equal a percentage of the premium based upon income. The legislation also tasked a new “Plan Design Committee” comprised of Union and State representatives to create new plan offerings.

It is very important that our members make educated decisions in choosing their health care plan. Not only will these decision impact members financially, they will also impact the quality of care for the individual member and his or her family.

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## In this package you will find:

- A. CWA’s bottom line recommendations for what to do during open enrollment in October 2011
- B. Explanation of the new health care legislation and contribution schedule
- C. Explanation of the existing plans and the new plans offered under the State Health Benefits Program (SHBP)
- D. Specific example scenarios (“Mary earns \$50,000 and needs family coverage...”)

*As always, it is important that you contact your Local if you have any questions.* The Union cannot make the decision for you as to which coverage to select, but we can advise you on the costs and benefits of each option.

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## A. CWA’s Recommendations for Open Enrollment in October 2011

Based on a comprehensive review of each plan, its cost, and its projected contribution cost to our members, CWA strongly recommends...

### 1. DO NOT CHANGE YOUR PLAN DURING OPEN ENROLLMENT 2011

In the first year of the contribution schedule, the majority of members will continue to contribute 1.5% of salary because this is higher than the initial contribution under the new law. This means most will not see an increase in cost until perhaps July 2012. **Therefore there is no reason to change plans now.**

**Don't change plans now.** If you are thinking about changing plans next year, review carefully your healthcare usage including your prescription drug usage and consider whether or not it makes economic sense to change.

### 2. DO NOT ENROLL IN A HIGH DEDUCTIBLE PLAN – EVER

There are new plans called High Deductible Plans which require members to pay a high out of pocket deductible before insurance covers any medical expense. It works like car insurance where the insured is responsible for paying the first \$1,500 or \$4,800 (for single coverage) before insurance kicks in. **We do not recommend enrolling in these plans.**

### 3. REVIEW EACH PLAN CAREFULLY BEFORE MAKING ANY DECISIONS ABOUT ENROLLMENT IN 2013

## B. Explanation of New Health Care Law and Contribution Schedule

The new law created a 4-year contribution schedule based on a member's annual salary and type of coverage the member selects: single, family, or member+1. The contribution is a percentage of the premium (medical and prescription) –or– 1.5% of salary, whichever is greater.

In order to figure out what percentage of the premium you will pay in a given year on the legislation's schedule, you have to look at the chart below and find your coverage level and your income.

Salary Threshold	Single				Employee +1				Family			
	Year 1	Year 2	Year 3	Year 4	Year 1	Year 2	Year 3	Year 4	Year 1	Year 2	Year 3	Year 4
\$1	1.1%	2.3%	3.4%	4.5%	0.9%	1.8%	2.6%	3.5%	0.8%	1.5%	2.3%	3.0%
\$20,000	1.4%	2.8%	4.1%	5.5%	0.9%	1.8%	2.6%	3.5%	0.8%	1.5%	2.3%	3.0%
\$25,000	1.9%	3.8%	5.6%	7.5%	1.1%	2.3%	3.4%	4.5%	1.0%	2.0%	3.0%	4.0%
\$30,000	2.5%	5.0%	7.5%	10.0%	1.5%	3.0%	4.5%	6.0%	1.3%	2.5%	3.8%	5.0%
\$35,000	2.8%	5.5%	8.3%	11.0%	1.8%	3.5%	5.3%	7.0%	1.5%	3.0%	4.5%	6.0%
\$40,000	3.0%	6.0%	9.0%	12.0%	2.0%	4.0%	6.0%	8.0%	1.8%	3.5%	5.3%	7.0%
\$45,000	3.5%	7.0%	10.5%	14.0%	2.5%	5.0%	7.5%	10.0%	2.3%	4.5%	6.8%	9.0%
\$50,000	5.0%	10.0%	15.0%	20.0%	3.8%	7.5%	11.3%	15.0%	3.0%	6.0%	9.0%	12.0%
\$55,000	5.8%	11.5%	17.3%	23.0%	4.3%	8.5%	12.8%	17.0%	3.5%	7.0%	10.5%	14.0%
\$60,000	6.8%	13.5%	20.3%	27.0%	5.3%	10.5%	15.8%	21.0%	4.3%	8.5%	12.8%	17.0%
\$65,000	7.3%	14.5%	21.8%	29.0%	5.8%	11.5%	17.3%	23.0%	4.8%	9.5%	14.3%	19.0%
\$70,000	8.0%	16.0%	24.0%	32.0%	6.5%	13.0%	19.5%	26.0%	5.5%	11.0%	16.5%	22.0%
\$75,000	8.3%	16.5%	24.8%	33.0%	6.8%	13.5%	20.3%	27.0%	5.8%	11.5%	17.3%	23.0%
\$80,000	8.5%	17.0%	25.5%	34.0%	7.0%	14.0%	21.0%	28.0%	6.0%	12.0%	18.0%	24.0%
\$85,000	8.5%	17.0%	25.5%	34.0%	7.5%	15.0%	22.5%	30.0%	6.5%	13.0%	19.5%	26.0%
\$90,000	8.5%	17.0%	25.5%	34.0%	7.5%	15.0%	22.5%	30.0%	7.0%	14.0%	21.0%	28.0%
\$95,000	8.8%	17.5%	26.3%	35.0%	7.5%	15.0%	22.5%	30.0%	7.3%	14.5%	21.8%	29.0%
\$100,000	8.8%	17.5%	26.3%	35.0%	8.8%	17.5%	26.3%	35.0%	8.0%	16.0%	24.0%	32.0%
\$105,000	8.8%	17.5%	26.3%	35.0%	8.8%	17.5%	26.3%	35.0%	8.0%	16.0%	24.0%	32.0%
\$110,000	8.8%	17.5%	26.3%	35.0%	8.8%	17.5%	26.3%	35.0%	8.8%	17.5%	26.3%	35.0%

This chart shows what percentage of the premium you will pay, but it does not show the actual premium rates themselves. In order to find out the cost to you, you have to apply the percentage to the actual premium for your level of coverage, and for the Plan you are enrolled in.

The first year of the contribution schedule starts in October 2011 for State workers and either October 2011 or January 2012 for Local Government workers. The contribution from members is a percentage on the chart or 1.5% (what we pay now), whichever is more. For nearly everyone, 1.5% of pay is more than what is on the chart, which means that you will not see an increase in your healthcare costs in the first year. However, in 7/2012, 7/2103, and 7/2014, the contribution percentages increase. And - because the premium rates increase every January, your actual costs will increase both in July and again in January. **You pay more when the percentage of premium increases on the chart, and you pay more when the premium rates increase.**

**Finally, if your earnings increase because of a step raise, a promotion, or an across-the-board salary increase, then your percentage of the premium could increase.**

Your healthcare percentage will go up every year on the schedule until you pay the maximum in the fourth year.

## C. Explanation of Existing and New Plans

In addition to the NJ Direct, Aetna HMO and Cigna HMO that are currently offered, there will be several additional plans with lower premiums. The lower premiums mean lower employee contributions, but they lower the premiums by shifting and increasing other member costs, like co-pays, out-of-network costs, and deductibles.

**NJ Direct 10** currently offered to certain local government. There are no changes to this plan.  
**NJ Direct 15** currently offered to State and local government. There are no changes to this plan.  
**Aetna 15** currently offered to State and local government. There are no changes to this plan.  
**Cigna 15** currently offered to State and local government. There are no changes to this plan.

### **“Plan A” (new)**

Increases the co-pay for specialists to \$25 and increases the copay for unadmitted emergency room visits to \$75. Plan A also increases the copays for prescription drug coverage from \$3, \$10, \$25, to \$7, \$16, \$35 and Mail Order prescription drug goes from \$5, \$15 and \$40 to \$18, \$40 and \$88. Plan A will cost 3% less than Direct 15. Copays are higher than NJ Direct 15, Aetna 15 and Cigna 15.

### **“Plan B” (new)**

Increases co-pays to \$20 for adults, \$30 for specialists and increases the copay for unadmitted emergency room visits to \$125. Plan B also increases the in-network Out of Pocket maximum you can pay from \$400 to \$800, and the Out of Network Out of Pocket maximum you can pay from \$2,000 to \$5,000. Prescription drug coverage goes up to \$3, \$18 and \$46 for retail and \$5, \$36 and \$92 for Mail Order. Plan B will cost approximately 9% less than Direct 15. Copays, deductibles and out of pocket costs are higher than NJ Direct 15, Aetna 15 and Cigna 15.

### **“High Deductible .5” (new)**

This plan has a \$4,800 deductible for a single person and a \$9,600 deductible for family and member+1 coverages before the insurance company pays the first \$1. The deductibles include prescription costs. Even after a person meets this deductible, only 80% of in-network charges are paid, but only 60% of out of network charges are paid after ANOTHER \$1,000 deductible.

The premium for HD.5 is 40% lower than NJ Direct 15, but if you enroll in HD.5, this year you will pay your contribution of 1.5% of salary PLUS the deductible of \$4,800 or \$9,600 PLUS another \$1,000 deductible for out of network.

***HD.5 is nothing more than catastrophic coverage. Do not enroll in this plan. If you have anything other than single coverage, you will have to meet a \$9,600 deductible before a prescription is even covered. Even if you have single coverage, you will have to pay nearly \$5000 before anything is covered, and the following year you have to meet that same deductible.***

### **“High Deductible 1.5” (new)**

This plan has a \$1,500 deductible for a single person and a \$3,000 deductible for family and member+1 coverages, pays 80% for in network charges after the deductible is met, and only pays 60% of out of network charges after you have paid an additional \$1,000 deductible. HD1.5 also provides those who choose it with a \$300 H.S.A. account, so you are given \$300 to pay for some of your healthcare expenses before you meet the deductibles.

The premium for HD1.5 is 9% lower than NJ Direct 15, but you pay your contribution of 1.5% of salary PLUS the deductibles of \$1,500 or \$3,000 PLUS another \$1,000 deductible for out of network.

**HD1.5 has lower costs to members than HD.5 but it costs the same as Plan B and Plan B is better coverage. And HD1.5 is only 9% less than Direct 15 and Direct 15 is a much better plan. There is no reason to switch to HD1.5.**

### **Bottom line: Should you switch plans?**

1. **DO NOT ENROLL IN THE HIGH DEDUCTIBLE PLANS.** They cost-shift thousands to members in deductible costs and you are still obligated to pay 1.5% of salary at a minimum. They are essentially catastrophic-only plans.
2. **If you use any medication at all, do NOT change from your current Plan to Plan A.** Plan A barely reduces the cost of premium over Direct 15, Aetna and Cigna. The increases to the co-pays are not significant and given that under National Healthcare there are no co-pays for preventative care, CWA is not overly concerned about the increase in co-pays for doctor's visits. But Plan A does increase Prescription Drug co-pays.
3. **If you are confident that all of your doctors and your hospital is likely to be In Network, you may feel that the 9 - 10% decrease in premium cost is worth it. However, if you use Prescription Drugs, CWA cautions you to carefully look at the increase in the co-pays for Prescription Drug before choosing Plan B.** Plan B reduces costs to premiums 9 - 10% over Direct 15, Aetna and Cigna. The Plan does increase co-pays for Specialists for Adults and that is something to consider. It does not apply that increase to children, and under National Healthcare, you will not be paying co-pays for preventative care. CWA is not overly concerned about the increase in co-pays. Plan B has some heavy penalties for Out of Network costs.

### **D. Example scenarios**

**EXAMPLE #1 - Let's look at a member with single coverage, who gets a promotion, and is still getting increments and across the board raises.**

*Mary earns \$54,235 a year. Her salary required a contribution of 5% of the premium cost a year. The premium for single coverage in 2011 for Direct 15 with Prescription Drug coverage equals \$7,622.64. 5% of the premium equals \$381. Mary already pays 1.5% of pay equaling \$635, so Mary's contribution will not increase immediately.*

*In December, however, Mary gets a promotion. Instead of earning \$54,235 a year, Mary is going to earn \$60,001 a year. That puts her on a schedule as paying 6.75% of the premium, that is \$514.50. That still doesn't equal the \$900 that Mary pays at 1.5% of pay. Her contribution will still not go up.*

*In January, the premium for single coverage goes up from \$7,622 to \$8,400. The 6.75% of premium is now \$575, but that still doesn't equal 1.5% of pay, so her contribution will still not increase.*

*In July 2012, however, the contribution for \$60,001 goes up to 13.5% of the premium.  $13.5\% \text{ of } \$8,400 = \$1,134$ . That equals more than \$900 and Mary's contribution goes up \$234. In January, 2013 the premium is adjusted to reflect increasing healthcare costs. Let's estimate that the premium goes up 9% because that is typical. Now the premium is \$9,156. Now Mary's contribution is \$1236.*

*In January, Mary also got a step raise bringing her salary to \$63,000. That does not move her up on the schedule, so that step increase does not increase her percentage of premium.*

*In July, 2013, the schedule goes up to 20.25% of premium and Mary's contribution is now \$1,854.*

*In July, 2013, Mary gets a 2% across the board increase. That brings her to \$64,260. That still is under \$64,999, and so her percentage portion does not yet change.*

*In January, 2014, the premium goes up another 9%. Now the single premium for Direct 15 is \$9,980. That would bring Mary's contribution costs up to \$2021, however, in January, Mary gets another step increment bringing her salary up from \$64,260 to \$66,680. Now she is on a different tier of the schedule. She's at 21.75% of premium. Her contribution cost is now \$2,171 a year.*

*In July 2014, the schedule goes up again, and Mary is now paying 29% of the premium. That equals \$2,984.*

*In summary, Mary was paying \$900 a year. She is now paying \$2,000 more than that. Mary's costs have increased from 1.5% of her pay to about 4.5% of pay - a 3% of increase.*

**EXAMPLE #2 - Let's look at a member with family coverage and is already at top step.**

*Jeffrey earns \$83,900 a year. He is at max and he no longer gets step increments.*

*In the first year of the schedule, the family premium is \$18,900. The schedule shows that Jeffrey will pay 6% of the premium at his salary, which is \$1,134, however Jeffrey pays 1.5% of pay which equals \$1,259, and so Jeffrey's healthcare contribution will not immediately increase.*

*In January, however, the cost for family coverage goes up to \$21,000 (estimate). 6% of 21,000 is \$1260. Jeffrey is paying \$1,259 so his contribution will go up \$1.*

*In July 2012, Jeffrey gets a 2% across the board increase bringing his salary to \$85,578. That puts Jeffrey on a new tier of the contribution schedule. In July 2012, that tier pays 13% of premium, which for Jeffrey equals \$2,730.*

*In January 2013, the cost of the premium goes up another 9% (estimate) and now a family coverage premium is \$22,890. Jeffrey's contribution will go to \$2,976.*

*Jeffrey gets another 2% across the board increase in July 2013, bringing his salary to \$87,289. That does not put him on another tier of the schedule, however in July 2013 the schedule goes from 13% of premium, to 19.5% of premium, which is \$4,463.*

*In January, 2014 the premium goes up another 9% to \$24,950. Now Jeffrey is paying \$4,865 a year.*

*In July, 2014, Jeffrey premium share goes up to 26% of the premium - \$6,487. That equals 7% of Jeffrey's pay a year, or a 5.5% increase over what he was paying before.*