

ASSEMBLY BILL NO. 5039

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 5039 with my recommendations for reconsideration.

Assembly Bill No. 5039 would revise P.L.2024, c.86 to require the Division of Pensions and Benefits ("DPB") to report to the State Health Benefits Commission ("Commission") the claims payable, available fund balance, and anticipated premiums for the local part of the State Health Benefits Program ("SHBP") prior to transferring funds from the State part of SHBP to the local part. Beginning 30 days after the bill's effective date, the bill also would require the DPB to provide monthly reports to the Commission concerning the funds available in both the State and local parts of the SHBP, including cash balances, claims costs incurred, and premiums collected.

P.L.2024, c.86, which I signed into law on October 30, 2024, permits the Director of the DPB to initiate a temporary transfer of available funds from the State health benefits fund to the local health benefits funds. The transfer authority contained in P.L.2024, c.86 enables the DPB to cover shortfalls in the local funds to try to avoid a mid-year rate increase. The transfer authority is triggered when the local funds do not have enough cash on hand to pay claims in the timeframe required by the plan's contracts. It is critical that the local part of the SHBP has adequate cash on hand as failure to make timely payments could result in plan members and their dependents losing access to healthcare coverage. The authority to transfer funds under the act is limited to instances where the available funds for local government health benefits fall to a level that is insufficient to cover 10 days of anticipated payments.

While I support the sponsors' desire to ensure comprehensive reporting at the time transfers pursuant to P.L.2024, c.86 are made, I am concerned that the process that is presently contemplated by the bill would erode the principal goal of these transfers: namely, the efficient and speedy allocation of funding that is necessary to effectively manage the cash flow of the local benefits funds to allow the local part of the SHBP to meet its obligations and provide plan members and their dependents with access to the health benefits upon which they rely. I am therefore recommending several amendments that will allow the SHBP to fulfill its financial obligations in an open and transparent way without causing unnecessary delays that could pose a risk to the solvency of the local funds and the delivery of benefits to the plan's members and their dependents. The amendments would require the DPB to notify the State Treasurer and the Commission on the 15th of each month in which a transfer pursuant to P.L.2024, c.86 is made or anticipated. The amendments also would require a monthly accounting of any transfers initiated in the prior 30 days, the outstanding balances of all transfers, any repayments for past transfers received, and the current balance of the local health benefits funds. My recommended changes will strike an appropriate balance, providing accountability and transparency in the transfer process while still permitting the State to act decisively and with the speed necessary to ensure uninterrupted access to health benefits for local employers and employees.

Therefore, I herewith return Assembly Bill No. 5039 and recommend that it be amended as follows:

Page 2, Title, Line 2: Delete "P.L. , c. (pending before the Legislature as" and insert "P.L.2024, c.86."

Page 2, Title, Lines 3-4: Delete in their entirety

- Page 2, Section 1, Line 9: Delete "P.L. , c. (C.)
(pending before the" and
insert "P.L.2024, c.86
(C.52:14-17.42a)"
- Page 2, Section 1, Line 10: Delete in its entirety
- Page 2, Section 1, Line 11: Delete "2024/2025)"
- Page 2, Section 1, Line 25: Delete "within five days of the
transfer, and" and insert "and
the State Treasurer on the 15th
of each month in which a
transfer pursuant to this
subsection is made or
anticipated"
- Page 2, Section 1, Lines 26-29: Delete in their entirety
- Page 2, Section 1, Line 30: Delete "categorized data for
active and retired employees"
- Page 3, Section 1, Line 3: Delete "The" and insert "On the
30th day of each month, the"
- Page 3, Section 1, Line 4: Delete "a monthly" and insert
"and the commission an"
- Page 3, Section 1, Line 8: Delete "fund" and insert
"funds"
- Page 3, Section 1, Line 9: Delete "section" and insert
"sections 10 and"
- Page 3, Section 1, Line 9: Before "C.52:14-17.42" insert
"C.52:14-17.41 and"
- Page 3, Section 1, Lines 11-19: Delete in their entirety

[seal]

Respectfully,

/s/ Philip D. Murphy

Governor

Attest:

/s/ Kate E. McDonnell

Chief Counsel to the Governor