

**SCHOOL DISTRICT OF SOUTH ORANGE AND MAPLEWOOD,
NEW JERSEY
PUBLIC BOARD MEETING
March 10, 2018**

RESOLUTION 3700

FOR ACTION

SUBJECT: Health Benefits Reform

WHEREAS, healthcare costs in New Jersey are among the highest in the nation;

WHEREAS, the cost of employee health benefits are a major cost driver in local school district budgets in New Jersey;

WHEREAS, the South Orange Maplewood School District will pay in excess of \$12.5 million on health insurance premiums in 2017-2018, approximately 9% of the District's operating budget;

WHEREAS, more than 70% of New Jersey school districts previously purchased health insurance through the New Jersey School Employees Health Benefits Program ("SEHBP");

WHEREAS, from 2010 through 2018, premiums in the SEHBP have increased dramatically, with increases ranging from 5.4 percent to 23 percent each year, during a period when the State has failed to provide funding to local school districts in accordance with the School Funding Reform Act of 2008, and state aid to local school districts, including the South Orange Maplewood School District has remained flat;

WHEREAS, health insurance costs have far outpaced and exceeded the 2% property tax cap on school districts, impeding the ability of school districts, including the South Orange Maplewood School District, to meet the needs of students;

WHEREAS, Chapter 78 (P.L. 2011, c. 78) which was adopted in June 2011, required school district employees to share in the cost of their health insurance and contribute towards the premium costs, but Chapter 78 did not control health care costs or the cost of health insurance premiums;

WHEREAS, over the past decade, there have been significant innovations in health care delivery and health plan design that have been adopted in both the public and private sectors to manage costs and promote wellness;

WHEREAS, the New Jersey State Health Benefits Program (“SHBP”), which provides health insurance to most state, county and municipal employees has adopted new health care plan offerings to provide lower cost options, to the benefit of both public employers and public employees, and the SHBP permits incentives to encourage employees to enroll in new lower cost health care plans;

WHEREAS, the SEHBP’s Plan Design Committee has, in effect, been deadlocked, meeting only infrequently for the past three years, and it has neither adopted lower cost health plans offered by the SHBP, nor permitted the offering of any incentives for school district employees to elect lower cost health care plans;

WHEREAS, the SEHBP’s Plan Design Committee does not include any local school district representatives;

WHEREAS, premium costs in the SEHBP have soared, taking school district funds from student programs and causing many school districts to attempt to withdraw from the SEHBP to pursue health insurance either privately or through other models such as self-insurance;

WHEREAS, a school district’s ability to successfully withdraw from the SEHBP depends on factors such as experience ratings and the costs of the surrounding healthcare market, and numerous districts, including the South Orange Maplewood District, which left the SEHBP, have been forced to return to the SEHBP;

WHEREAS, in 2018, the SEHBP provides health insurance to only 41% of New Jersey School Districts, making the SEHBP the insurer of last resort for school districts for districts with high experience ratings or in higher cost health care markets; and

WHEREAS, in 2018, premiums in the SEHBP increased by 13% while, in contrast, premiums in the SHBP did not increase at all;

WHEREAS, due to the withdrawal of many school districts and resulting destabilization of the SEHBP, it is predicted that SEHBP premiums will increase by as much as 15% in 2019 absent immediate action to reform the SEHBP, expand plan offerings, and make it possible for local school districts to remain in or return to the SEHBP;

WHEREAS, absent immediate action to reform the SEHBP and to contain the costs of health care and health insurance premiums paid by local school districts,

increases in state aid to local school districts may not reach the classroom or benefit students;

WHEREAS, the South Orange Maplewood School District is a member of the New Jersey School Boards Association (“NJSBA”) and the Delegate Assembly is the official policymaking body of the NJSBA;

WHEREAS, education-related policies resulting from prior Delegate Assemblies and Board of Directors actions are codified in the NJSBA's Manual of Positions and Policies on Education;

NOW, THEREFORE, BE IT RESOLVED that the South Orange and Maplewood Board of Education urges the Governor and the State Legislature to ensure that all necessary reforms are made in the structure of the SEHBP to end and prevent deadlock and ensure voting representation for school districts on the SEHBP Plan Design Committee; and be it further

RESOLVED, that the South Orange Maplewood Board of Education urges the SEHBP, and all appointees to the SEHBP Plan Design Committee, to meet monthly and to adopt the lower cost plan options available on the SHBP for the 2019 plan year and permit school districts to offer incentives to encourage employees’ participation in lower cost plan options; and be it further

RESOLVED, that the South Orange Maplewood Board of Education, urges the Governor, through the Department of Banking and Insurance and other agencies, and the Legislature, to enact reforms necessary to reduce health care costs and health insurance premium costs in the State; and be it further

RESOLVED, that this resolution be delivered to Governor Phil Murphy, State Senate President Stephen M. Sweeney, Assembly Speaker Craig Coughlin; the 27th Legislative District’s representatives in the State Senate and General Assembly; and the Education and Budget Committees in the State Senate and General Assembly ; and be it further

RESOLVED, the South Orange Maplewood Board of Education proposes the following revised and additional policy language regarding the SEHBP and health benefits for adoption by the NJSBA Delegate Assembly and inclusion in NJSBA's Manual of Positions and Policies on Education:

The NJSBA believes that the School Employees’ Health Benefits Program (SEHBP) should provide local school districts with i) an efficient, economical and flexible health insurance options, ~~and should provide those participating school districts with ii)~~ input into decision-making, as well as iii) timely notification of rates and changes in

coverage, and that local school districts should have no fewer than two (2) voting representatives on the SEHBP Plan Design Committee;

The NJSBA believes that the SEHBP should offer participating school districts at least the same health insurance options that are offered to state, county and municipal employees, through the State Employees Health Benefits Plan;

The NJSBA believes that the SEHBP should be required to permit local school districts to offer incentives to employees to participate in lower cost health care plans;

The NJSBA believes that in order for the SEHBP to be restored to financial and programmatic stability and to fulfill its mandate of providing local school districts with efficient, economical, and flexible health insurance options, the SEHBP Plan Design Committee should be required to meet on a monthly basis and there should be mechanisms for preventing or resolving deadlock, the cancellation meetings, and for the removal of Plan Design Committee members who fail to attend Committee meetings and thereby impede the Committee's functioning;

The NJSBA believes that the Governor, through the Department of Banking and Insurance and other agencies, and the Legislature, should enact reforms necessary to reduce health care costs and health insurance premium costs in the State of New Jersey, and ensure that health care and health insurance costs in New Jersey are aligned with the costs in surrounding states; and be it further

RESOLVED, that this Resolution shall be delivered to the NJSBA and placed on the agenda for consideration at the NJSBA May 2018 Delegate Assembly.