



New Jersey School Boards Association

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TESTIMONY FOR THE

JOINT COMMITTEE ON PUBLIC EMPLOYEE BENEFITS REFORM

September 19, 2006

Good evening senators and assembly members. I am happy to be here this evening for the New Jersey School Boards Association, a non-partisan federation of more than 600 school districts. I am representing members of school boards across the state who are committed to providing quality public education to the children of New Jersey. My name is Marie Hakim. I am President of the Clifton Board of Education and President of the Passaic County School Boards Association.

For many years, the New Jersey School Boards Association has been concerned about how the rising costs of health care benefits impacts the school districts it represents and the property taxes of communities. Although the Joint Committee's task is formidable, we believe that you can make considerable strides in providing property tax relief by helping us work as intelligently and efficiently as possible.

The delivery of quality education depends on the efforts of a great number of people. You and the citizens of New Jersey know that a large part of the cost of education in a school district is personnel costs, and that approximately 75% of the costs are related to items negotiated through collective bargaining. You can help reduce the impact of one of the greatest cost drivers in the negotiations process, that is, the cost of health benefits. I will limit my remarks to the area of health benefits costs, which have greatly increased over the last several years.

In 1991, 457 districts, or 76% of school districts in New Jersey participated in the SHBP. Today that number is 239 districts, or 40%. Why this tremendous change? It is because the SHBP lacks flexibility for school boards to negotiate cost containment. These cost containment measures are available through private carriers. The areas which are not subject to negotiations within the SHBP are the following:

The plan's uniformity rule requires that all employees be treated equally, which eliminates any ability to negotiated "tiered" coverage, or different conditions for different classifications of employees, which might be based on salaries, classification of employees, date of employment, etc.;

The method of paying for dependent coverage is also controlled by the *uniformity rule*, which requires that employers pay the exact same percentage of the cost of coverage for all dependents enrolled in the program;

Employers must pay the full cost of employees' premiums;

Prohibition against duplicate/multiple coverage is again due to the uniformity rule, precluding any negotiations to limit the employees' ability to have an individual enrollment as well as a dependent in their spouse's enrollment;

Complete choice of coverage is left up to the employee as is enrollment of eligible dependents;

Levels of deductibles and co-pays are set by statutes and are therefore not negotiable items:

Incentives for non-enrollment may not be negotiated.

Further, school districts have not been provided with the same flexibility given to other public employers in the SHBP, which is unreasonable. By this I mean the state's authority to negotiate tiered benefits (different levels of benefits) has not been extended to school districts. Moreover, local school districts are the only public entities that cannot offer waivers of duplicate coverage.

It is no wonder then that hundreds of school districts have abandoned the SHBP for plans that offer flexibility and cost containments, which in turn reduce the costs to districts' taxpayers, while increasing operational and educational efficiencies. Most notable, among school districts outside of the SHBP, 83% have negotiated either tiered coverage and/or waiver incentives. And they have managed other cost containments too, including:

Waiver of coverage for staff who have health coverage under their spouses' plans. For example, in 2005 West Orange Board of Education saved \$800,000 and will save \$2 million dollars over the life of its 3-year contract just by implementing a waiver incentive provision.

Increasing co-pays and deductibles resulted in a reported savings of about \$100,000 in another district

Tiered coverages and increased co-pays in another district actually brought the costs of the total health insurance package, which included dental and prescription, to less than the cost of the medical insurance part for the prior year;

Offering a managed care option only resulted in another district savings of almost 1% of its salary base.

In the case of my own district, Clifton, we left the SHBP in 1996 due to a 12% increase in costs. By opting out we saved the taxpayers 1.5 million dollars that year. In our last round of negotiations, we saved 1.2 million dollars. We use an independent care provider through BC/BS offering Point of Service and traditional plans, Benecard for prescriptions and Delta Dental for dental.

Another school district saved well over a million dollars by moving out of the SHBP just a few years ago. Fifteen other districts around the state who have recently left the SHBP have reported to us a combined savings of over 1.8 million dollars. The savings are more than considerable, and each year more and more districts report successful rounds of negotiations that produce savings in the area of health benefits.

Giving more flexibility to SHBP-member school districts will make the plan more competitive with private carriers and increase savings for local taxpayers. Our children's education programs and our taxpayers will be the winners.

Conversely, I ask that you not consider implementing any proposal for legislation that would put all local employers back into the SHBP. Such an action would completely remove any competition in the health care benefits insurance industry and do the exact opposite of savings taxpayers' money. By making the SHBP the only game in town, or in the state, the costs of health benefits would go through the ceiling.

I thank the committee for this opportunity to testify, and ask that you consider implementing the recommendations of the Governors Pension and Health Benefits Task Force from last year, which will provide a measure of property tax relief to New Jerseyans.