



State of New Jersey

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January 30, 2020

TO: Certifying Officers, Local Government Employers Participating in the SHBP
FROM: Christin Deacon, Assistant Director
Health Benefit Operations, Policy and Planning
SUBJECT: **Local Government Retiree Prescription Drug Plan Carve Out**

The State Health Benefits Commission has approved a change to the Prescription Drug Plan options for Local Government employers who cover retirees through the State Health Benefits Program (SHBP).

Participating Local Government employers can now select an SHBP retiree medical plan structure that is supplemented by a private prescription drug plan contracted directly by the Local Government employer that is comparable (as defined below) to the SHBP Prescription Drug Plan.

Previously, Local Government employers could only offer SHBP medical plans that were combined with the SHBP Prescription Drug Plan. The new plan structure allows Local Governments the ability to “carve out” prescription drug benefits and costs. The intent of the Resolution passed by the State Health Benefits Commission effectuating this change is to allow greater flexibility when negotiating employee labor agreements and post-retirement medical benefits with different labor organizations.

This prescription drug plan option is not available to retirees covered under the provisions of Chapter 330.

EMPLOYER RESPONSIBILITIES

Employers who wish to offer a private prescription drug plan must complete a *Resolution to Terminate Participation under the SHBP for Prescription Drug Coverage* (“Resolution”) and submit it to the Health Benefits Bureau at the New Jersey Division of Pensions & Benefits (NJDPB).

A copy of the new prescription drug plan contract must accompany the *Resolution* and show comparability in design to the State Employee Prescription Drug Plan. For purposes of the *Resolution*, comparability means similarity in therapeutic drug class inclusions/exclusions and existence of Employer Group Wrap Plans (EGWP) Part D Plan. You must also provide separate monthly prescription drug plan rates for those retirees who are paying the full cost of their medical and prescription plan coverage.

The Health Benefits Bureau will review the prescription drug plan contract to determine whether it is comparable to the prescription benefits under the SHBP. If approved, the effective date for the change will be the first of the month following a 60-day period beginning with the receipt of

the *Resolution*. Employers should keep the coverage requirements and approval time frames in mind when negotiating for a private prescription drug plan.

The *Resolution* form is included with this letter, along with current SHBP medical plan rates for retirees without prescription drug benefits.

ADDITIONAL INFORMATION

If you have questions regarding any of the information provided in this letter, contact the NJDPB's Office of Client Services at (609) 292-75254, or email the NJDBP at: pensions.nj@treas.nj.gov

Enclosures