SENATE, No. 4657

STATE OF NEW JERSEY

221st LEGISLATURE

INTRODUCED JUNE 23, 2025

Sponsored by:
Senator GORDON M. JOHNSON
District 37 (Bergen)

SYNOPSIS

Modifies reimbursement for premium charges under Part B and Part D of federal Medicare program for certain School Employees' Health Benefits Program enrollees.

CURRENT VERSION OF TEXT

As introduced.

AN ACT concerning State reimbursement for certain premium charges under the federal Medicare program, and amending P.L.1987, c.384, P.L.1992, c.126, and P.L.1995, c.357.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. Section 3 of P.L.1987, c.384 (C.52:14-17.32f) is amended to read as follows:

3. A qualified retiree from the Teachers' Pension and Annuity Fund (N.J.S.18A:66-1 et seq.) and dependents of a qualified retiree, but not including survivors, are eligible to participate in the State Health Benefits Program until June 30, 2008, and beginning July 1, 2008, in the School Employees' Health Benefits Program, regardless of whether the retiree's employer participated in the program.

A qualified retiree is a retiree who:

a. Retired on a benefit based on 25 or more years of service credit;

b. Retired on a disability pension based on fewer years of service credit; or

c. Elected deferred retirement based on 25 or more years of service credit and who receives a retirement allowance.

The program shall reimburse a qualified retiree who participates in the program for the premium charges under Part B of the federal Medicare program<u>, established pursuant to Title XVIII of the Social Security Act, Pub.L.89-97 (42 U.S.C. s.1395 et seq.),</u> for the retiree and the retiree's spouse. A qualified retiree who retired under subsections a. and b. of this section prior to the effective date of this 1987 amendatory and supplementary act is eligible for the coverage if the retiree applies to the program for it within one year after the effective date, and a qualified retiree as defined under subsection c. of this section whose retirement allowance commenced prior to the effective date of this 1992 amendatory act is eligible for the coverage if the retiree applies to the program for it within one year after the effective date.

The premium or periodic charges for benefits provided to a qualified retiree and the dependents of the retiree, and the cost for reimbursement of Medicare premiums shall be paid by the State. An employee who becomes a member of the Teachers' Pension and Annuity Fund on or after the effective date of P.L.2010, c.2 shall pay as a qualified retiree 1.5 percent of the retiree's monthly retirement allowance, including any future cost-of-living adjustments, through the withholding of the contribution, for health benefits coverage provided under P.L.2007, c.103 (C.52:14-17.46.1 et seq.) and the State shall pay the remainder of the premium or

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined <u>thus</u> is new matter.

periodic charges for benefits provided to a qualified retiree and the dependents of the retiree, and the cost for reimbursement of Medicare premiums <u>under Title XVIII of the Social Security Act, Pub.L.89-97 (42 U.S.C. s.1395 et seq.).</u>

<u>For a reimbursement of Medicare premiums that are paid on or after January 1, 2025 to any qualified retiree, regardless of the retiree's date of retirement, for the premium charges under Part B (42 U.S.C. s.1395r) and Part D (42 U.S.C. s.1395w-113) of the federal Medicare program for the retiree and the retiree's spouse, the reimbursement shall not include any income-related monthly adjustment amount that is a surcharge that the retiree and the retiree's spouse is required to pay, pursuant to 42 U.S.C. s.1395r(i) and 42 U.S.C. s.1395w-113(a)(7), in addition to the standard Part B and Part D premium charges.</u>

(cf: P.L.2010, c.2, s.2)

2. Section 2 of P.L.1992, c.126 (C.52:14-17.32f1) is amended to read as follows:

2. The provisions of section 3 of P.L.1987, c.384 (C.52:14-17.32f) shall apply to:

a. any employee of a board of education who retires on a benefit or benefits based in the aggregate upon 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems, or retires on a disability pension based upon fewer years of service credit in that system or systems, or elected deferred retirement based in the aggregate upon 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems and receives a retirement allowance from that system or systems;

b. any employee of a county college who retires on a benefit or benefits based in the aggregate upon 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems, or retires on a disability pension based upon fewer years of service credit in that system or systems, or elected deferred retirement based in the aggregate upon 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems and receives a retirement allowance from that system or systems; or who receives a disability benefit pursuant to section 18 of P.L.1969, c.242 (C.18A:66-184); and

c. any employee of a county college who retires on a benefit based upon 10 or more years of service credit in the alternate benefit program P.L.1969, c.242 (C.18A:66-167 et seq.) and who has additional years of service credited in another defined contribution retirement program as an employee of a private institution of higher education which, under contract with a county government, provided services as a county college and subsequently merged with a county technical institute to become a county college, which additional years of service when added to the service credited in the alternate benefit program totals 25 or more years and any such employee who retired prior to the effective date of P.L.1999, c.382 if the employee applies to the program for coverage within one year after the effective date of P.L.1999, c.382.

The costs of the premium or periodic charges for the benefits and reimbursement of ⟦medicare⟧ Medicare premiums provided to a retiree and the dependents of the retiree under this section shall be paid by the State. An employee who becomes a member of a State or locally-administered retirement system on or after the effective date of P.L.2010, c.2 shall pay as a qualified retiree 1.5 percent of the retiree's monthly retirement allowance, including any future cost-of-living adjustments, through the withholding of the contribution, for health benefits coverage provided under P.L.2007, c.103 (C.52:14-17.46.1 et seq.) and the State shall pay the remainder of the premium or periodic charges for benefits provided to a qualified retiree and the dependents of the retiree, and the cost for reimbursement of Medicare premiums under Title XVIII of the Social Security Act, Pub.L.89-97 (42 U.S.C. s.1395 et seq.).

For a reimbursement of Medicare premiums that are paid on or after January 1, 2025 to any qualified retiree, regardless of the retiree's date of retirement, for the premium charges under Part B (42 U.S.C. s.1395r) and Part D (42 U.S.C. s.1395w-113) of the federal Medicare program for the retiree and the retiree's spouse, the reimbursement shall not include any income-related monthly adjustment amount that is a surcharge that the retiree and the retiree's spouse is required to pay, pursuant to 42 U.S.C. s.1395r(i) and 42 U.S.C. s.1395w-113(a)(7), in addition to the standard Part B and Part D premium charges.

(cf: P.L.2010, c.2, s.3)

3. Section 1 of P.L.1995, c.357 (C.52:14-17.32f2) is amended to read as follows:

1. The provisions of section 3 of P.L.1987, c.384 (C.52:14-17.32f) shall apply to any employee of a board of education who is a member of a pension fund created prior to January 5, 1996 under the provisions of article 2 of chapter 66 of Title 18A of the New Jersey Statutes (N.J.S.18A:66-94 et seq.) and who retires on a benefit based upon 25 or more years of service credit in the pension fund, or retires on a disability pension based upon fewer years of service credit in that pension fund, or elected deferred retirement based upon 25 or more years of service credit and receives a retirement allowance from that pension fund, except that the costs of the premium or periodic charges for the benefits and reimbursement of ⟦medicare⟧ Medicare premiums provided to a retiree and the dependents of the retiree under this section shall be paid by the State. An employee who becomes a member of the pension fund on or after the effective date of P.L.2010, c.2 shall pay

in retirement 1.5 percent of the retiree's monthly retirement allowance, including any future cost-of-living adjustments, through the withholding of the contribution, for health benefits coverage provided under P.L.2007, c.103 (C.52:14-17.46.1 et seq.) and the State shall pay the remainder of the premium or periodic charges for benefits provided to a qualified retiree and the dependents of the retiree, and the cost for reimbursement of Medicare premiums under Title XVIII of the Social Security Act, Pub.L.89-97 (42 U.S.C. s.1395 et seq.). For a reimbursement of Medicare premiums that are paid on or after January 1, 2025 to any qualified retiree, regardless of the retiree's date of retirement, for the premium charges under Part B (42 U.S.C. s.1395r) and Part D (42 U.S.C. s.1395w-113) of the federal Medicare program for the retiree and the retiree's spouse, the reimbursement shall not include any income-related monthly adjustment amount that is a surcharge that the retiree and the retiree's spouse is required to pay, pursuant to 42 U.S.C. s.1395r(i) and 42 U.S.C. s.1395w-113(a)(7), in addition to the standard Part B and Part D premium charges.

An employee who retired prior to the effective date of [this act] P.L.1995, c.357 is eligible for the coverage if the employee applies to the program for it within one year after the effective date.

(cf: P.L.2010, c.2, s.4)

4. This act shall take effect immediately.

STATEMENT

This bill modifies reimbursements paid under the School Employees' Health Benefits Program (SEHBP) for premium charges under Part B and Part D of the federal Medicare program. Medicare Part B is part of Traditional Medicare, which provides hospital insurance (Part A) and medical insurance (Part B), or coverage for outpatient medical services, to beneficiaries. Medicare Part D adds optional prescription drug benefits coverage to Traditional Medicare. The bill eliminates reimbursements for income-related monthly adjustment amounts (IRMAA), or income-based surcharges, assessed to federal Medicare beneficiaries beyond Medicare Part B and Part D premiums whose reported income meets certain criteria. By law, the State pays all or a portion of reimbursement costs for Medicare premiums for qualified retirees who receive healthcare coverage in retirement from the SEHBP.

The Governor's Fiscal Year 2026 budget recommendations include enactment of legislation to eliminate income-related monthly adjustment amount (IRMAA) reimbursements for premium charges under Part B and Part D of the federal Medicare program under the SEHBP. The Department of the Treasury estimates that this bill will increase revenue for Fiscal Year 2026 by $35 million.