



ORDINANCE #19-17

AN ORDINANCE AUTHORIZING AND ESTABLISHING A SELF-INSURANCE PLAN AND FUND FOR EMPLOYEE HEALTH BENEFITS AND CREATING A BOARD OF FUND COMMISSIONERS AS REQUIRED BY LAW

WHEREAS, the Borough of Florham Park, in the County of Morris, State of New Jersey has determined that providing for partially self-funded health insurance program for its employees and retirees will be an efficient and cost effective method of providing such benefits to its employees; and

WHEREAS, such a program is authorized by *N.J.S.A.* 40A:10-6e; and

WHEREAS, as part of the establishment of such a program it is required by *N.J.S.A.* 40A: I 10-8 that a board of fund commissioners be created to oversee the safe and proper administration of such fund;

NOW, THEREFORE, BE IT ORDAINED AND ENACTED, by the Borough of Florham Park, County of Morris, State of New Jersey, as follows:

Section One. Establishment of Plan and Fund.

There is hereby established a partially self-funded health insurance plan for Borough employees and retirees to be known as the "Borough of Florham Park Self-Funded Health Plan" (the "Plan"). There is further established in accordance with the provisions of *N.J.S.A.* 40A:10-6 *et seq.* an insurance fund to be known as the "Borough of Florham Park Self-Insurance Fund" (the "Fund"). The Plan and the Fund shall be operated and maintained in accordance with the terms of this Ordinance, *N.J.S.A.* 40A:10-6 *et seq.*, and the rules and regulations promulgated thereunder by the Department of Community Affairs.

Section Two. Establishment of Fund Commission.

There is hereby established in accordance with the requirements of *N.J.S.A. 40A:10-8* a Fund Commission (the "Commission") consisting of three Borough Councilman or Councilwoman together with a secretary of the Commission to be appointed by the governing body. The Commissioners shall hold office for two (2) years or for the remainder of their term as officials, whichever is less, and until their successors shall have been duly appointed and qualified. The Commissioners shall serve without compensation. The compensation of the secretary, if any, shall be established and authorized by the governing body. Vacancies occurring on the commission shall be filled for the unexpired term. The Commissioners shall forthwith after appointment organize for the ensuing year by electing a chairperson from among their membership.

Section Three. Powers and Authority of Commission.

In order to maintain the efficient, professional and actuarially sound operation of the fund, the Borough will contract with a qualified Third Party Administrator (the "TPA") to assist the Borough and the Commission in the proper design and administration of the Plan. Subject to consultation and review by the governing body, the Commissioners shall have the power and duty to oversee the TPA, adopt rules and for the control and investment of the Fund, assure the Fund has sufficient funds for the payment of and claims, invest assets of the Fund in accordance with the Borough's established investment policy, and assure the operation of the Plan and the Fund consistent with their purpose.

Section Four. Purpose of the Fund.

Purpose of the Fund is to hold, manage and distribute in accordance with the Plan documents and sound fiscal management money necessary to pay the valid claims of Borough employees and retirees as required to fulfill the obligations of the Borough pursuant to the Plan and its health insurance obligations to its employees and retirees. The Fund exists to pay healthcare claims and related expenses covered by the Plan and the Fund shall not be used for any other purpose.

Section Five. Reserve for Claims,

The Commissioners and the TPA shall cause the Fund to achieve a reasonable reserve of up to six (6) months of claims payments to assure that sufficient assets are available to continue to pay all claims and expenses in a high claim year.

Section Six. Plan Requirements - Administration of Claims.

Claims shall be administered and paid, after review, by the TPA in accordance with the TPA administration contract. The TPA shall assure that all Borough employees and retirees covered by the Plan are fully informed as to the proper procedure for submitting claims and that all notices required by law with respect to the Plan are promptly provided to the plan participants.

Section Seven. Plan Requirements- Additional and Excess Coverage.

The Borough, directly or through the TPA, shall arrange for the purchase of "Stop Loss" or "Excess" coverage in order to provide ascertainable limits to the liability of the Fund. Such coverage shall include, but need not be limited to, coverage for catastrophic illness for plan participants, aggregate coverage (below catastrophic coverage) to assure that the Plan's risk level is capped at a maximum amount as established by the Borough in consultation with the Commissioners and the TPA, and run-out coverage (also referred to as a 12/15 contract) to allow claims incurred during the plan year to be paid out for a period of three months after the end of the plan year.

Section Eight. Appeals.

The TPA shall in the first instance, review appeals from denial of claims. In considering appeals, any relevant supplemental information provided by the plan participant or the service provider shall be considered. A third party retained to review appeals on an independent basis according to the Plan documents shall handle second level appeals. In order to assure that the Plan is consistently, fairly and equitably administered, no member of the governing body shall be involved in the approval or denial of claims, which in all cases shall be determined by the terms of the Plan.

Section Nine. Annual Review; Open Enrollment Period.

The Commission shall annually, in consultation with the governing body and coordination with its TPA and other professional consultants, shall review and evaluate the Plan and shall evaluate the Plan in comparison to a fully insured plan. The base plan option of the Borough's Plan shall be modified to mirror the design of the fully insured equivalent plan. This review shall occur at the same time as the annual open enrollment period. At no time will the Borough be required to offer a base plan benefits greater than those offered by the fully

insured equivalent plan do.

Section Ten. Continuation of Fund; Termination.

The Fund shall continue from year to year without lapse until the self-fund insurance plan is terminated by action of the governing body. In the event of such a termination, after payment of all claims and expenses of the Plan, any fund balance remaining shall revert to the Borough's General fund.

INTRODUCED: November 21, 2019

ADOPTED:

Mark Taylor, Mayor

ATTEST:

Sheila A. Williams, R.M.C., Municipal Clerk

