

## Governor Phil Murphy

# In Final Keynote Address at the League, Governor Murphy Proposes a Quarter-Billion Dollars in Relief for the State Health Benefits Program for Local Government Employees

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*SHBP-LG is Structurally and Financially Unsustainable and Technically Insolvent; Claims Stabilization Reserve is Depleted*

*Without Significant Legislative Reform, SHBP-LG Will Collapse, Impacting Tens of Thousands of Beneficiaries and Their Families*

*Rates and Premiums of SHBP-LG Have Increases by Nearly 60% Over the Past Four Years*

**ATLANTIC CITY** – In his final keynote address at the New Jersey League of Municipalities Annual Conference, Governor Murphy today

[proposed a set of legislative solutions \(https://nj.gov/governor/SHBPProposedLegislation.pdf\)](https://nj.gov/governor/SHBPProposedLegislation.pdf) to prevent the [impending collapse of the State Health Benefits Program for Local Government Employees \(SHBP-LG\) \(https://www.nj.gov/treasury/pensions/documents/pdf/Structural-Financial-Challenges-SHBP-LG.pdf\)](https://www.nj.gov/treasury/pensions/documents/pdf/Structural-Financial-Challenges-SHBP-LG.pdf).

Absent reform, the program is caught in a vicious cycle of rising costs (higher premiums) and declining participation (employer withdrawals) known by actuaries as a “death spiral.” The Governor is calling for significant legislative reforms to protect health care coverage for tens of thousands of SHBP-LG beneficiaries and their family members.

“The State Health Benefits Program for Local Government is on the brink of collapse,” **said Governor Murphy**. “As health care costs have skyrocketed over the past few years, premiums have gone up by roughly 60%. And more and more employers are withdrawing from the program, which has created a ‘death spiral.’ Unless we take sweeping action now to shore up this program, there are tens of thousands of New Jerseyans whose access to health care will be in serious jeopardy. We cannot allow that to happen.”

“Our Administration is willing to provide a quarter billion dollars over the short-term to keep the SHBP for Local Government solvent in exchange for smart structural and governance reforms that will stabilize the program over the long-term,” **continued Governor Murphy**. “Achieving this goal will require hard decisions. But that is what good government is all about: making reasonable reforms to advance the public good.”

The Governor’s proposed legislative solutions includes near-term relief and necessary structural reforms to plan

  
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design, governance, and employer retention to ensure continued solvency.

The specific components include, but are not limited to:

- **Near-Term Relief:**
  - Providing \$260 million in near-term relief to keep the SHBP-LG solvent (\$180 million in loan balance forgiveness and \$80 million in replenishment for the Claims Stabilization Reserve)
- **Plan Modernization:**
  - Simplifying and modernizing the number of SHBP-LG health care plans by replacing over 50 plans with three new, distinct high-quality choices: a PPO, a high-deductible with a Health Savings Account, and a tiered network plan
- **Governance Improvements:**
  - Establishing a new seven-member State Health Benefits Program – Local Commission to exclusively oversee all matters related to SHBP-LG and local government plan design, with local government and member interests appropriately represented
  - Modifying the State Health Benefits Program Plan Design Committee (PDC) to have authority over the State section only, and reducing it to eight members – four members appointed by the Governor, three members appointed by the Governor upon the recommendation of the Public Employee Committee of the AFL-CIO and one member appointed by the Governor upon the recommendation of the State Troopers Fraternal Association (STFA)
  - Repairing the broken governance structure of the PDC, which has historically resulted in gridlock and prevented program responsiveness to fast-paced healthcare industry changes, by establishing the State Treasurer as a binding tie-breaking vote
- **Employer Retention:**
  - Reducing the volatility caused by unchecked employer exits by requiring local government employers to remain in, or remain out, of the SHBP-LG for at least five years

Earlier this summer, AON, the actuary that services the various state health benefits plans, released to the State Health Benefits Commission (SHBC) a recommended rate increase of 36.5% for the SHBP-LG, which was ultimately ratified. While inflationary trends in health care are persistent nationwide and have presented challenges in New Jersey and across the nation over the past several years, the annual cost increases experienced by the SHBP-LG outpace those seen in other public employee plans.

In 2023, the Division of Pensions and Benefits posted a [study by AON \(https://www.nj.gov/treasury/pensions/documents/pdf/SONJ-Plan-Design-Comparison-Analysis-Memo-2023.pdf\)](https://www.nj.gov/treasury/pensions/documents/pdf/SONJ-Plan-Design-Comparison-Analysis-Memo-2023.pdf)

comparing New Jersey public plans with employer group peers and identifying distinguishing cost drivers, notably the relative richness of the SHBP plan design and few utilization management requirements that would incentivize more cost-effective, while still high-quality, health care decisions by members.

This May, Treasury released a report entitled

[“Structural and Financial Challenges in the State Health Benefits Program for Local Government” \(https://www.nj.gov/treasury/pensions/documents/pdf/Structural-Financial-Challenges-SHBP-LG.pdf\)](https://www.nj.gov/treasury/pensions/documents/pdf/Structural-Financial-Challenges-SHBP-LG.pdf)

outlining the key factors responsible for the steep rise in premiums under the SHBP-LG, including the plan’s very high actuarial values, static plan design and governance structure, adverse selection, diminished participation, cost escalation, and potential solutions.

For a copy of the Governor’s full remarks as prepared for delivery, please click [here \(https://nj.gov/governor/news/news/562025/approved/20251120a.shtml\)](https://nj.gov/governor/news/news/562025/approved/20251120a.shtml).

For a copy of PowerPoint slides explaining the proposed legislation, please click

[here \(https://urldefense.com/v3/\\_https://t.e2ma.net/click/jgyimn/nrddit/ry5aidb\\_!!J30X0ZrnC1oQtbA!Ob5D4-lkyREI8v7uc3zUnqQ3ZVfjONyQyLNXXYiPvaHzbAwdi5BQmCb7IAnCdfIWxqmKinY4Ok-PfhSSa6doh\\_aZVrA3\\$\)](https://urldefense.com/v3/_https://t.e2ma.net/click/jgyimn/nrddit/ry5aidb_!!J30X0ZrnC1oQtbA!Ob5D4-lkyREI8v7uc3zUnqQ3ZVfjONyQyLNXXYiPvaHzbAwdi5BQmCb7IAnCdfIWxqmKinY4Ok-PfhSSa6doh_aZVrA3$)

For a copy of the draft legislation, please click [here \(https://nj.gov/governor/SHBPPProposedLegislation.pdf\)](https://nj.gov/governor/SHBPPProposedLegislation.pdf).

## Governor Phil Murphy

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