

Governor Phil Murphy

Governor Murphy and Public Sector Unions Announce Agreement on Health Care Benefit Savings

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Millions in Recurring Fiscal Year 2026 Savings Through Plan Design Reforms, Including New Deductibles, Co-Pays, and Prescription Drug Pricing

One of the Most Significant Updates to State Health Benefits in Nearly 15 Years

State Agrees to Forgive Escalator Increases This Year – Saving Beneficiaries Money

State and Labor Agree to Work Collaboratively on a Transition Report to Identify Forward-Looking Cost Containment Strategies for the Next Governor and Legislature

TRENTON – Governor Murphy and 17 public sector unions representing State workers today announced an agreement designed to achieve approximately \$75 million in recurring health benefit savings for the final six months of Fiscal Year 2026.

“Today we are making responsible and reasonable changes to the State’s health plans – broad changes which have not been made in nearly 15 years,” **said Governor Murphy**. “I am committed to working with the unions until the end of my Administration to provide solid recommendations to future State leaders on how the State can adopt best practices and get the best deals in the health care market on medical care and drug pricing.”

The agreed-upon changes, which will be proposed and voted on by the State Health Benefits Plan Design Committee later this month, represent one of the most significant updates to the State health benefits plans in nearly 15 years, including:

- A \$110 in-network deductible for individuals & \$220 in-network deductible for families for all plans that currently have lower deductibles;
- A \$750 out-of-network deductible for individuals & \$1,500 out-of-network deductible for families for all plans that currently have lower deductibles;
- A \$2,500 out-of-network, out-of-pocket maximum for individuals & \$6,000 out-of-network, out-of-pocket maximum for families for all plans that currently have lower out-of-network, out-of-pocket maximums;
- New co-pays on GLP-1, generic, brand, non-preferred brand, and specialty medications across all plans;
- New co-pays on lab visits and imaging across all plans;
- Incentivizing use of in-network ambulatory surgical centers for certain procedures across all plans;
- Limits on out-of-network physical therapy visits across all plans; and
- Expansion of the forthcoming Centers of Excellence pilot program for all plans.

The State has also agreed to continue to work with the unions on identifying longer-term, significant cost containment strategies.

It is expected that the resolutions enacting these reforms will be passed at an upcoming PDC meeting later this month. Voting on these changes at the PDC in September will mean the State can begin implementing changes, and realizing savings, as close as possible to the start of the new Plan Year on January 1, 2026.

Per the terms of the agreement, the Governor's Office has agreed to send a letter to the Legislature expressing its willingness to sign into law legislation repealing budget language in the Fiscal Year 2026 Budget that sought to achieve \$100 million in recurring health care benefit savings through the Plan Design Committee.

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 rate increases experienced by the SHBP and SEHBP far outpace those seen in other public employee plans.

For a copy of the Memorandum of Agreement signed today, [click here \(/governor/docs/MOA.pdf\)](/governor/docs/MOA.pdf). For the side letter regarding the budget resolution, [click here \(/governor/docs/BudgetLegislationSideLetter.pdf\)](/governor/docs/BudgetLegislationSideLetter.pdf). For the side letter regarding the Transition Report Working Group on longer term cost containment strategies, [click here \(https://nj.gov/governor/docs/BestPracticesTransitionGroup.pdf\)](https://nj.gov/governor/docs/BestPracticesTransitionGroup.pdf).

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