



## TREASURY NEWS RELEASE

### NEW JERSEY DEPARTMENT OF THE TREASURY

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### Midyear Trends Signal Significant Rate Increases for State Health Benefits Plan and Local Government Plan

*Reports Indicate Similar Cost Drivers Facing School Employees Health Benefits Plan*

**(TRENTON)** - Continuing to sound the alarm about the growing structural challenges facing State-administered health plans, the Department of the Treasury issued two reports developed by the plan actuary, Aon, which indicate double-digit rate increases are likely coming to the State Health Benefits Plan (SHBP) and Local Government Plan (SHBP-LG) in Plan Year 2027. This news follows last week's announcement that the School Employees Health Benefits Plan (SEHBP) may experience similar rate upticks in PY 2027.

Both reports were discussed at yesterday's meeting of the SHBP Commission. Although the reports do not predict forthcoming rates, the information presented provides a snapshot of the plan's financial situation and cost trends, and strongly indicates likely rate increases when Aon makes its rate recommendations in July for the upcoming plan year.

The midyear [reports](#) outline factors contributing to the likely rate increases for the plans. Among the largest factors for the SHBP-LG is the outmigration of lower-cost members. Local government employers with relatively lower-cost employee populations who use fewer health services continue to leave the SHBP in favor of more affordable health benefits plans obtained on the private market. For employees remaining in the SHBP, there has been a migration across both State and local government plans of members enrolling into lower premium plans. These departures and shifts to lower premium plans leave the SHBP with higher cost employees in the plan, and lower premium revenues coming in.

In addition to this outmigration of lower cost members and suppressed revenues, the report identifies several factors causing costs to outpace revenues for the State and Local plans, including increased medical and prescription drug claims. Primary cost drivers in these areas include higher utilization of specialty physician and behavioral health services, higher inpatient and outpatient facility spending, and tremendous growth in utilization of high-cost GLP-1 (weight loss) drugs.

Because of these factors, the plan actuary is reporting a projected negative balance in the SHBP – Local Governments Claims Stabilization Reserve (CSR) in PY 2026 of \$209 million. This is the result, among other factors, of accumulated actuarial losses in the Local Government plan. These losses and a significant negative CSR balance could further contribute to higher PY 2027 rate increases to shore up that reserve and to pay the resources transferred from the State to the Local Government plan to pay for claims.

The midyear reports released today are the latest of several documents issued by Aon and published by Treasury that warn of the serious financial issues facing the SHBP. In its [report](#) published last May, Treasury noted that the SHBP-LG plan faced an actuarial "death spiral" if significant reforms to contain spending and cost growth are not implemented soon. Additionally, last week Treasury published a midyear report issued by Aon for the SEHBP, which detailed the likelihood for double-digit rate increases in that plan as well due to similar structural and financial challenges.

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