MOA BETWEEN THE UNIONS AND THE STATE OF NEW JERSEY

Plan Design & Cost-Saving Changes
(Effective Jan 1, 2026 unless noted)

Who this is for

- State active employees

There are no plan changes at this time for Local Government members in the SHBP and outside the SHBP.

What Was At Stake

- Budget Resolution required $100M saved in first 6 months of 2026.
- Premium rates increase for State Workers by 17.3%, which triggered reopener clause in contract. Our contract insulates us from 4.5% automatically, leaving 12.8% to bargain down if possible. This equals $270M.

- So…State Worker Unions had at least $270M to deal with, separate from the $100M budget problem.

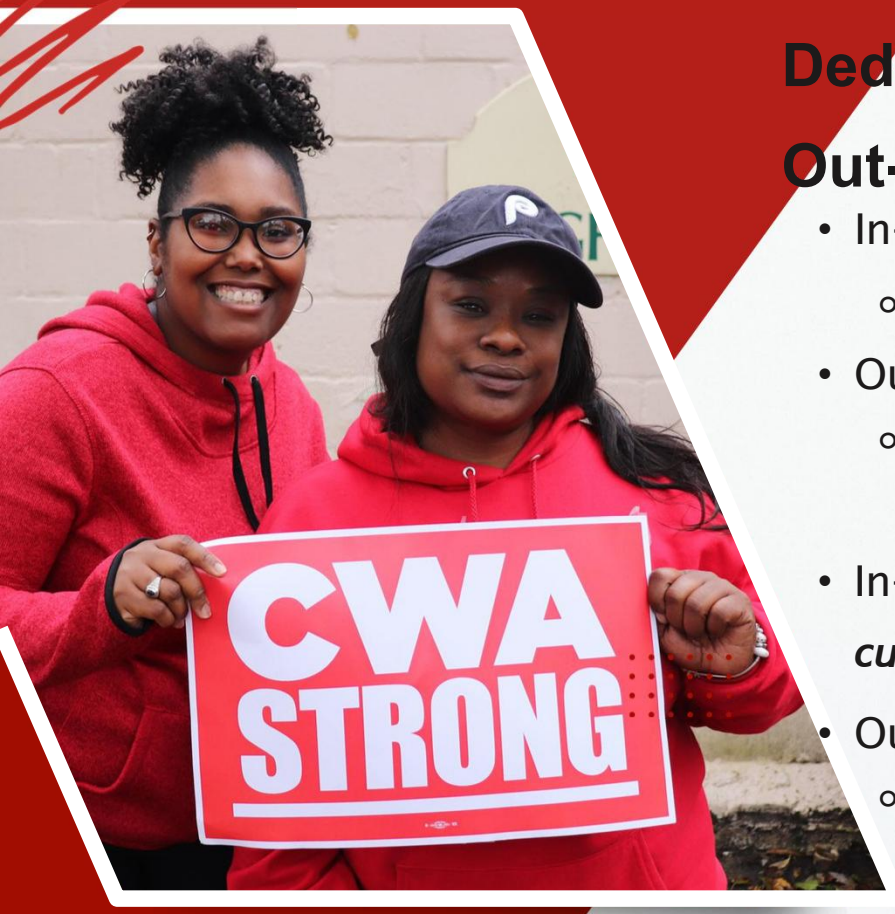
State proposal on 7/31 to save $100M in 6 months:

- PCP: $30 Specialist: $50 Urgent Care: $100
- INN Deductible: $1000 single/$2000 family
- PT and Chiro: $50
- Coinsurance Max: $3,000/$7,500
- Generic RX: $10 / $20 / $50 Brand Rx: $20/$40/$100
- Non-Preferred Brand Rx: $50/$100/$250

- Civilian and Law Enforcement unions joined *together*, bargained *together* since July, and won a joint MOA *together* that significantly reduces impact to members and secures longer-term cost reductions…

Final MOA

- **Saves $60-$75M in total from plan changes and commits the State to create $25-$40M in savings** next year
- **No increase to member contribution rates for 2026** (instead of the 12.6% increase we were facing)
- **Sets up longer term reforms** during 2026 and after



Deductibles &

Out-of-Pocket Maximums

- In-network deductible: ***$110 individual / $220 family***
  - Excludes: HDLow, HDHigh, HMO, and PPO2035 Plans.
- Out-of-network deductible: ***$750 individual / $1,500 family***
  - Excludes:PPO2035, HDLow, HDHigh, Tiered Network, and HMO plans.
- In-network Out of Pocket Maximums (OPM): ***No change from current OPMs.***
- Out-of-network OPM: ***$2,500 individual / $6,000 family***
  - Excludes: Tiered Network Plan (tier 1), HDLow, HDHigh, HMO, PPO2030 and PPO2035 Plans.

Ambulatory Surgical Centers (ASC)

- Key procedures (endoscopy, hernia, carpal tunnel, nerve injections, colonoscopy, etc.) must be at in-network ASCs
- Non-compliance → 50% coinsurance
- Exceptions: emergency, medical necessity, or no ASC within 50 miles

Center of Excellence (COE) Updates

- New Covered Procedures
  - Colonoscopy + at least one additional procedure
  - Future expansion of services allowed
- Program Changes
  - Gift card incentive eliminated
- Cost Sharing for Non-Use of COE
  - *Year 1: $300*
  - *Year 2: $450*
  - *Year 3: $600*
  - *Year 4: $800*
  - *Year 5: $1,000*

Prescription Adjustments

- Out-of-pocket max: ***$2,120 individual / $4,240 family***
- Copays:
  - *Generic $10 for 30-day and $10 for 90-day mail order (retail and mail)*
  - *Preferred Brand $20 / $50 (retail / mail)*
  - *Non-Preferred & Specialty $75 (retail/mail)*
- Mandatory generics and mail-order for

GLP-1 Anti-Obesity Drugs (*Nov 2025*)

- Members and dependents prescribed a GLP-1 drug for anti-obesity by their health care provider will be offered a counseling / lifestyle management program while receiving the prescription.
- $45 copay per 30-day supply with counseling program participation
- $125 copay per 30-day supply without participation

Labs & Imaging

- Copays: *$20 labs / $50 imaging*

All preventative care and pregnancy related labs and imaging excluded from copay

Other Plan Adjustments

- 20-visit limit for out-of-network physical therapy, no change to in-network PT benefits
- Permanent adoption of:
  - Generic substitutions
  - Reduced retiree specialty copays
  - Retiree mail-order brand copay reduction
  - Tiered network incentive program

Oversight & Accountability Measures

- Claims Review
  - Third-party vendor report due Oct 22, 2025
  - Includes performance review & recommendations for expanded claims review (2026)
- Flexible Spending Accounts (FSAs)
  - State to align contribution limits with federally allowed maximums
- Pharmacy Benefit Manager (PBM)
  - Procurement via reverse auction process
  - Quarterly reports to PDC:
    - New FDA-approved medications
    - Biosimilars & drug substitutions
    - Exclusions, discounts, rebates
    - Market checks by PBM oversight vendor

Best Practices in Health Benefits Study

- Working Group: 3 State + 2 Labor reps, supported by an independent consultant.
- Goal: Issue a Transition Report (by Jan 20, 2026) identifying cost drivers in SHBP and recommending reforms for the next Administration & Legislature.
- Focus: Forward-looking plan to contain costs, improve efficiency, and enhance medical outcomes.

Best Practices in Health Benefits Study

- Key Focus Areas:
  - Site-neutral payment reforms
  - Better management of injectables & specialty drugs
  - Innovative provider & pharma contracts
  - Value-based & reference pricing, access reforms
  - Governance for accountability & fiscal integrity

Budget Legislation Side Letter

The Governor agrees to seek legislation that fully rescinds Budget Resolution 1389 ($100/$200 Million in Healthcare Savings)