



The Township of Byram
10 Mansfield Drive
Stanhope, New Jersey 07874

973-347-2500

www.byramtwp.org

TO: Township Council

FROM: Joseph W. Sabatini, Township Manager

DATE: November 14, 2025

RE: 2026 State Health Benefits Increase

Byram Township is part of the State Health Benefits Program (SHBP), which approved a 36.2% rate increase for 2026—over 32% for medical costs and more than 62% for prescription drug premiums.

Following is the link to the State of New Jersey, State Health Benefits Program, Plan Year 2026 Rate Setting Recommendation Analysis completed by AON.

<https://www.nj.gov/treasury/pensions/documents/hb/rate-renewal/py2026-rate-setting-analysis-local.pdf>

According to a news release from the New Jersey Department of Treasury on July 9, 2025, the main reasons for the increases are driven by the following costs:

- Adjustments for prior year losses, which occur when claims and expenses exceed projected premiums. The SHBP-State experienced losses totaling \$154 million in 2024, and \$232 million in 2025; SHBP-LG experienced losses of \$75 million and \$57 million; and SEHBP showed the most pronounced cost overruns – \$143 million in 2024 and \$254 million in 2025.
- Increased costs of medical services attributed to medical inflation, greater utilization of services, and a shift toward more complex or higher-cost care settings.
- Increased prescription drug costs due to inflation and the utilization of high-cost drugs including GLP-1 drugs such as Wegovy, Ozempic, Mounjaro, and Zepbound. Wegovy is now the top drug by spend across all three programs, and GLP-1 medications consistently rank among the top 10 highest-cost drugs in SHBP-State, SHBP-LG, and SEHBP.
- "Anti-selection," which accounts for employers with favorable risk leaving the SHBP-LG and the SEHBP, increasing costs to the plan.
- Replenishment of depleted cash flow reserve levels. Reserves remain in place to provide a buffer to manage cash flow or plan losses and are depleted when claims outpace premiums.

- For SHBP-LG, a 9.4% increase to pay back amounts borrowed, as permitted by P.L.2024, Chapter 86. Chapter 86 allowed the SHBP-LG to borrow money from the SHBP-State in order to cover shortfalls in the local government plan. The loan balance currently stands at \$150 million.

<https://www.nj.gov/treasury/pensions/documents/hb/rate-renewal/py2026-rate-setting-analysis-local.pdf>

2026 Health Benefits Increase:

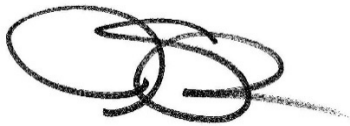
- The Group Health Insurance line item was updated for changes of census and State Health Benefits rate increases. The plan includes three new employees. Two employees in the police department. One to replace the Chief who is retiring January 1, 2026, and one to anticipate a retirement later in year 2026. Also, the plan is to hire a new employee in the Department of Public Works to replace an employee that resigned. This position was originally budgeted in the insurance line, but a new police officer was hired in 2025 to replace the Chief that retired March 1, 2025.
- Public Law 2011, Chapter 78 was effective June 28, 2011, that increased the share of health benefits coverage paid by public employees and retirees who receive employer paid health benefits. The percentage of employee contribution (derived from salary and type of coverage tables) is multiplied by the total premium due for each employee and deducted from base salary. The Group Insurance budget is less employee contributions.
- The Group Insurance budget includes medical insurance, prescription drugs, dental, Medicare reimbursements, payment for waiver of medical benefits, life insurance, and long-term disability which is assessed based on each employee's salary.
 - o There are four active employees and three retirees that are waiving health benefits.
 - o The following table summarizes the cost of medical insurance, prescription drugs and dental benefits less employee contributions.

Employee Group	Total Cost: (Health, Dental & RX)	Employee Contributions	Total Net Cost to Township
Clerical Active	\$0.00	\$0.00	\$0.00
Clerical Retired	\$16,792.80	\$254.28	\$16,538.52
DPW Active	\$497,147.64	\$88,833.99	\$408,313.65
DPW Retired	\$280,594.32	\$4,735.44	\$275,858.88
Police Active	\$770,076.96	\$200,225.69	\$569,851.27
Police Retired	\$713,759.28	\$32,936.04	\$489,354.72
All Other Active	\$449,103.60	\$124,847.69	\$324,255.91
All Other Retired	\$66,667.20	\$2,265.24	\$64,401.96
TOTAL Active	\$1,716,328.20	\$413,907.37	\$1,302,420.83
TOTAL Retired	\$1,077,813.60	\$40,191.00	\$1,037,622.60
GRAND TOTAL:	\$2,794,141.80	\$454,098.37	\$2,340,043.43

Medicare Reimbursements	\$40,100.00	\$0.00	\$40,100.00
WAIVERS	\$40,000.00	\$0.00	\$40,000.00

- The Group Health Insurance Line is presented as an increase of \$625,543/42.73%.
 - o This includes the following reductions:

- \$220,000 to offset capital improvement costs
 - \$40,000 to offset waivers
 - \$23,000 to offset employee cost covered by UCC Trust
- o This includes the following additions:
 - \$25,000 for group life/disability insurance
 - \$5,000 Incentive program for OMNI/Liberty health plans.
 - \$2,500 HRA administration fee
- A tax point is estimated at \$95,000. Based on a tax point, the Group Health Insurance line is estimated at an increase of 6.58% impact on property.



Joseph Sabatini, Township Manager