ASSEMBLY, No. 5536

STATE OF NEW JERSEY

222nd LEGISLATURE

INTRODUCED SEPTEMBER 24, 2026

Sponsored by:
Assemblyman MICHAEL VENEZIA
District 34 (Essex)

SYNOPSIS

Permits certain local public employers to contract for Medicare Advantage benefits outside SHBP.

CURRENT VERSION OF TEXT

As introduced.

AN ACT concerning the provision of health benefits for certain retirees eligible for the State Health Benefits Program and supplementing P.L.1961, c.49 (C.52:14-17.25 et seq.).

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. The Legislature finds and declares that:

a. The State Health Benefits Program is facing significant financial struggles.

b. These challenges have led many local public entities to explore the private health insurance marketplace to manage rising costs.

c. As the State considers policy modifications to address these issues, there is an opportunity to implement a standalone approach for Medicare Advantage that would benefit both the State and local taxpayers.

d. In the State Health Benefits Program, Medicare retirees are often forced to transition alongside active and early retiree employees, limiting the town manager's ability to pick the most cost-effective plan for each specific demographic.

e. The State Health Benefits Program is self-funded, while Medicare Advantage is a fully insured product. These are fundamentally different funding structures, which supports treating the Medicare population independently rather than tethering it to the active and early retiree group.

f. There is already a precedent for this type of separation. Today, public entities routinely carve out pharmacy benefits from their medical plan and place them with a separate carrier or pharmacy benefits manager. This bill simply applies the same logic to the Medicare-eligible population - allowing it to be managed independently when doing so produces better results.

g. By contracting for Medicare Advantage plans as a standalone product, local governments would have the flexibility to place their Medicare population in either the State plan or the private marketplace, independent of where the active and early retiree populations are enrolled.

h. Insurance professionals and business administrators would gain a vital tool to customize benefits, allowing them to capture the best possible pricing for the Medicare-eligible population.

i. By decoupling the Medicare population from active employees, the State empowers local governments to pursue the most efficient fiscal path.

j. With healthcare costs continuing to rise across New Jersey and the United States, government entities need maximum flexibility to obtain the best pricing for their employees and retirees. This legislation provides exactly that.

k. It is necessary and appropriate for the Legislature to permit local governments to contract with a carrier outside the program to provide secondary health care benefits coverage to employees and dependents who are eligible for Medicare under federal law.

2. (New Section) Notwithstanding any other law, rule, or regulation to the contrary, an employer other than the State that provides medical and prescription drug benefits to active employees through participation in the State Health Benefits Program shall be permitted to contract with a carrier outside the program to provide secondary health care benefits coverage to some or all program participants and their dependents who are eligible for Medicare under federal law. In no case shall a participant or a dependent who is eligible for Medicare under federal law have secondary health benefits coverage through the program and an outside carrier simultaneously under the provisions of this section.

3. This act shall take effect on the 180th day after the date of enactment.

STATEMENT

This bill permits local public employers to contract for Medicare Advantage benefits outside the State Health Benefits Program (SHBP).

The SHBP is facing significant financial struggles. These challenges have led many public entities to explore the private health insurance marketplace to manage rising costs. As the State considers policy modifications to address these issues, there is an opportunity to implement a standalone approach for Medicare Advantage that would benefit both the State and local taxpayers.

In the SHBP, Medicare retirees are often forced to transition alongside active and early retiree employees, limiting the town manager's ability to pick the most cost-effective plan for each specific demographic.

The SHBP is self-funded, while Medicare Advantage is a fully insured product. These are fundamentally different funding structures, which supports treating the Medicare population independently rather than tethering it to the active and early retiree group. There is already a precedent for this type of separation. Today, public entities routinely carve out pharmacy benefits from their medical plan and place them with a separate carrier or pharmacy benefits manager. This bill simply applies the same logic to the Medicare-eligible population - allowing it to be managed independently when doing so produces better results.

By contracting for Medicare Advantage plans as a standalone product, local governments would have the flexibility to place

their Medicare population in either the State plan or the private marketplace, independent of where the active and early retiree populations are enrolled. In addition, insurance professionals and business administrators would gain a vital tool to customize benefits, allowing them to capture the best possible pricing for the Medicare-eligible population. By separating the Medicare population from active employees, the State empowers local governments to pursue the most efficient fiscal path. With healthcare costs continuing to rise across New Jersey and the United States, government entities need maximum flexibility to obtain the best pricing for their employees and retirees. This legislation provides exactly that. It is necessary and appropriate for the Legislature to permit local governments to contract with a carrier outside these programs to provide secondary health care benefits coverage to employees and dependents who are eligible for Medicare under federal law.

This bill permits an employer other than the State that provides medical and prescription drug benefits to active employees through participation in the SHBP to contract with a carrier outside the programs to provide secondary health care benefits coverage to some or all program participants and dependents who are eligible for Medicare under federal law.

The bill prohibits a participant or a dependent who is eligible for Medicare under federal law from having secondary health benefits coverage through the SHBP and an outside carrier simultaneously.