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Report of the Affordable Healthcare: Addressing Washington's Medicaid Cuts Action Team

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The State of New Jersey and its residents are facing extraordinary healthcare challenges that threaten public health and the economic stability of our healthcare systems and communities. Skyrocketing healthcare costs are becoming untenable for many New Jerseyans, particularly for lower- and moderate-income residents, and costs have risen across many types of coverage including employer coverage and

the State Health Benefits Program. For far too many residents, healthcare is simply too expensive, and their health is put at risk when they cannot afford sorely needed care. Making matters worse, our healthcare workforce is overburdened and faces unnecessary licensing delays and barriers to career advancement.

Unfortunately, the One Big Beautiful Bill Act (OBBA), also known as H.R. 1, will usher in sweeping changes to healthcare programs, exacerbate cost burdens for many New Jersey residents, and create additional barriers to accessing care. These changes include devastating reductions in Medicaid funding and new eligibility restrictions for Medicaid and Affordable Care Act (ACA) coverage enrollees. As a result, approximately 350,000 New Jerseyans are projected to lose their coverage and over 466,000 will see significant premium increases. The federal changes even limit how New Jersey can use its own funds to protect our residents' healthcare access.

These federal cuts and policy changes will not only increase the number of uninsured New Jerseyans, erode the healthcare safety net, and exacerbate the healthcare affordability crisis, but they will also undermine an already strained healthcare workforce.[1] New Jersey's primary care workforce shortage is worsening at an alarming rate, ranking in the top ten states with the largest projected nursing shortage. As noted by a member of the public who contributed to the Governor-elect's General Public Survey, "Our nurses are over-worked, the system needs to be more attractive for new students." While nursing shortages are the biggest pressure point, there is unmet demand across all health professions. It is estimated the state will need 10,600 new registered nurses and 2,500 doctors by 2030. The crisis is particularly acute in primary care and behavioral health.

Lastly, while New Jersey is one of the healthiest states overall, the state faces deep and persistent health disparities, especially in Black maternal health and infant mortality. "Maternal healthcare needs to be stronger, too many women don't get follow-up care, mental health support, or help navigating insurance during pregnancy," stated a member of the public to the Governor-elect's General Public Survey.

This Action Team recognizes the scale and impact of New Jersey's healthcare challenges and specifically acknowledges that the repercussions of deep federal funding cuts are likely to be felt beyond healthcare. The Team is focused on mitigating OBBA's harmful cuts and ensuring the Sherrill-Caldwell Administration will be ready on Day One to address the impending program changes, healthcare coverage losses, and funding cuts.

We urge the Sherrill-Caldwell Administration to take a whole-of-government approach to managing budget shortfalls and mitigating harmful federal policy changes to keep as many eligible Medicaid recipients enrolled as possible. The Administration should also focus on strengthening the healthcare workforce, with emphasis on bolstering primary care providers in clinical and community-based settings to help improve outcomes for all New Jerseyans, especially for marginalized and vulnerable communities. We urge the Governor to address rising healthcare costs across multiple sources, including employer coverage, the Affordable Care Act, and options for those losing coverage altogether.

To enact this vision, the Healthcare Transition Action Team proposes the Sherrill-Caldwell Administration consider the following recommendations to accomplish these key priorities:

- Protecting New Jersey from the Impacts of OBBA and Other Federal Policies

[1] National Center for Health Workforce Analysis, "Workforce Projections," HRSA Data Warehouse, December 18, 2025, https://data.hrsa.gov/topics/health-workforce/nchwa/workforce-projections.

- Developing the Healthcare Workforce
- Boosting Transparency and Consumer Protections to Increase Affordability

The Team understands that these recommendations need to fit into the broader context of all the Team recommendations and will have to be prioritized accordingly. We also recognize that these recommendations will need to be considered in the context of a challenging budget landscape particularly with the impact of upcoming federal funding cuts, and where these recommendations are not budget neutral, they may need to be adjusted or prioritized.

Transition Action Team Recommendations

Protecting New Jerseyans from the Impacts of OBBA and Other Federal Policies

Recommendation: Within the first 100 days, issue an Executive Order establishing an OBBA action team to implement OBBA, taking an all-of-government approach that includes input from key stakeholders.

OBBA cuts nearly $1 trillion dollars from the national healthcare system through changes to eligibility for both Medicaid and ACA coverage and limits how states finance their Medicaid coverage. Approximately 350,000 New Jerseyans,[2] or one in five current NJ FamilyCare enrollees,[3] are projected to lose their coverage, and New Jersey is projected to lose billions in federal funding annually—a staggering cut of 15-25 percent to the Medicaid program. Furthermore, the failure of Congress to extend enhanced affordability subsidies under the ACA will mean that more than 90 percent of Get Covered New Jersey consumers, or over 466,000 New Jerseyans, will see significant premium increases[4] and increased out-of-pocket costs.[5] Additionally, the federal government is making it incredibly difficult for states to provide gender-affirming care for minors.

New Jersey State officials have already begun the implementation process, but 2026 is a critical year for all states to prepare for the impact of OBBA as the law's provisions begin to go into effect. While primary responsibility for implementation will fall upon the Department of Human Services (DHS), some

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[2] Alice Burns et al., "How Will the 2025 Reconciliation Law Affect the Uninsured Rate in Each State?," KFF, November 3, 2025, https://www.kff.org/uninsured/how-will-the-2025-reconciliation-law-affect-the-uninsured-rate-in-each-State/.

[3] "STATEMENT FROM HUMAN SERVICES COMMISSIONER SARAH ADELMAN ON IMPACT OF MEDICAID AND SNAP CUTS ON NJ," *DHS Press Releases 2025*, July 3, 2025, New Jersey Department of Human Services, https://www.nj.gov/humanservices/news/pressreleases/2025/approved/20250703.shtml.

[4] "NJ Department of Banking and Insurance Releases Final Health Insurance Rates for the Individual Market for Plan Year 2026," *Department Press Releases/Newsletters/Reports*, October 27, 2025, State of New Jersey Department of Banking and Insurance, https://www.nj.gov/dobi/pressreleases/pr251027.html.

[5] "NJ Department of Banking and Insurance Encourages Residents to Enroll in Coverage through Get Covered New Jersey By Dec. 31 to Start the New Year With Health Insurance," *Department Press Releases/Newsletters/Reports*, December 29, 2025, State of New Jersey New Jersey Department of Banking and Insurance, https://www.nj.gov/dobi/pressreleases/pr251229.html.

components will fall upon other state agencies and the private sector, including managed care organizations, community health centers, and hospitals, necessitating coordination and partnerships.

The OBBA action team would assess the impact on the State of New Jersey and focus on mitigating harm to residents and preserving New Jersey's healthcare safety net. An executive order establishing an action team would demonstrate the urgency of the issue as well as signal the importance of public-provider partnerships to successfully navigate implementation challenges.

The Executive Order would:

a. direct the Attorney General's office, together with multi-agency partners including but not limited to the Department of Health (DOH), DHS, Department of Children and Families (DCF), Department of Labor (DOL), Department of Banking and Insurance (DOBI), and the Department of Treasury to determine what litigation strategies and statutory or regulatory changes are possible to protect groups whose care is explicitly targeted or jeopardized by OBBA. There may be legal or policy steps that New Jersey could take to mitigate the harm of OBBA, and the State should explore those options. It may also be possible to join forces, particularly with regards to litigation, with other states.
b. direct DHS to explore all potential flexibility and strategies available under OBBA to preserve coverage to the maximum extent possible, with a particular focus on technology and automated solutions.
c. explore use of emergency powers and public-private partnerships to accelerate government action to accomplish the goals of the Executive Order.

Recommendation: DHS should invest in modernizing and aligning enrollment systems for health and social service programs to simplify enrollment and minimize the number of people losing affordable health coverage as a result of OBBA.

OBBA imposes significant additional requirements for individuals to prove they are eligible for Medicaid and requires substantial changes to how states administer their Medicaid programs.[6] These include a mandate for states to establish work reporting requirements for Medicaid enrollees and also more frequent eligibility checks, which will require New Jersey to develop a new eligibility policy and build, or significantly modify, verification systems to collect new data to confirm compliance. For example, the State will need to collect and verify information about work, school, or community service participation, while applying exemptions for certain groups such as individuals who are pregnant and postpartum, caregivers, and those who are medically frail. Taken together, these requirements will be costly to implement and will increase paperwork and other administrative burdens for Medicaid members. The State estimates the majority of the estimated 350,000 people expected to lose their health coverage will do so because of these bureaucratic hurdles rather than eligibility issues.[7] In addition to creating

[6] "Tracking State Readiness to Implement HR 1," Georgetown McCourt School of Public Policy Center for Children and Families, July 25, 2025, https://ccf.georgetown.edu/2025/08/28/tracking-state-readiness-to-implement-hr-1/.
[7] "STATEMENT FROM HUMAN SERVICES COMMISSIONER SARAH ADELMAN ON IMPACT OF MEDICAID AND SNAP CUTS ON NJ," NJ Department of Human Services, July 3, 2025, https://www.nj.gov/humanservices/news/pressreleases/2025/approved/20250703.shtml.

structural barriers to coverage, these new requirements will generate additional workload for already burdened State staff and risk wasting taxpayer funds.

DHS and NJ FamilyCare should automate eligibility determinations to the greatest extent possible for New Jerseyans eligible for public health and social insurance programs to reduce administrative burden, prevent unnecessary disenrollment, and ensure continuity of care. Also, DHS should work with the Office of Innovation to ensure that the procurement process for the technological upgrades necessary to implement these new requirements is effective and efficient, and that the systems designed reflect how people realistically navigate programs.

The significance of these eligibility changes and the confusion they will likely cause cannot be overstated. As New Jersey develops new enrollment systems to mitigate harm, it will be critical that the State engages in clear and consistent communication with the public. DHS and NJ FamilyCare should launch a public awareness campaign to educate residents on coverage options and enrollment pathways, and coordinate with trusted partners and community-based organizations to expand hands-on enrollment assistance. Finally, given the connection between Medicaid managed care plans and Medicaid enrollees, the plans should be included in this awareness campaign.[8] Implementing this recommendation will require State investments.

Recommendation: New Jersey should work with the private sector to support our healthcare safety net and areas of the state that are most likely to see a surge in uncompensated care and allow Planned Parenthood to bill the State for reproductive health services by directing funding through DHS and the NJ FamilyCare program.

New Jersey has been a leader in expanding coverage to ensure everyone has the ability to achieve and maintain good health. But no matter how well New Jersey implements OBBA, the number of people who are uninsured is certain to increase, as there are many groups of people who can no longer be covered (e.g., some immigrant families) or who will invariably lose coverage (e.g., if they fail to comply with work requirements because of administrative burdens). Further, because of Congress' failure to extend the ACA's enhanced premium tax credits, many people will be underinsured because they may be forced to choose coverage with high deductibles. These factors will likely lead to an increase in uncompensated care, which will strain the healthcare system.

Given the important role of the healthcare sector in providing care, New Jersey should invest in public-private solutions to address the assault to the safety net. Specifically, the State may want to create a task force of Federally-Qualified Health Centers (FQHCs), hospital systems, health professional schools, nursing homes and long-term care providers, free health centers and charitable pharmacies, regional health hubs, and impacted New Jerseyans to find collaborative solutions and connect those losing coverage with resources, particularly those who have a critical and time-sensitive necessity for continuation of care.

[8] Ellen Montz et al., "Leveraging Managed Care Plans to Support Implementation of Medicaid Work Reporting Requirements," State Health and Value Strategies, October 24, 2025, https://shvs.org/leveraging-managed-care-plans-to-support-implementation-of-medicaid-work-reporting-requirements/.

Furthermore, OBBA defunds Planned Parenthood by blocking their health centers from being reimbursed by Medicaid. This threatens New Jersey's 21 Planned Parenthood health centers and jeopardizes residents' access to the full range of high-quality, affordable preventive care services like birth control and cancer screenings. In New Jersey, roughly one-third of Planned Parenthood patients rely on Medicaid for their health coverage. If Planned Parenthood is barred from participating in Medicaid, thousands of patients may have nowhere else to turn for care. In addition, it is well established that cutting funding for family planning and other reproductive health services actually increases health care costs, likely due to an increase in unintended pregnancies, undetected cancers, and untreated sexually transmitted infections. The Action Team recommends replacing this billing limitation with State funds to preserve access to vital reproductive health care.

Recommendation: New Jersey should maintain vital public health initiatives, such as vaccination schedules and their coverage, and continue coordination with the Governors Public Health Alliance.

Public health is under attack from the federal government. From undermining access to safe and effective vaccines, to disregarding scientific guidance and practice, to slashing funding for public health and preparedness, these actions jeopardize the health of our residents. The Sherrill-Caldwell Administration should work to ensure New Jersey protects public health by relying on science-based information and trusted medical professionals, maintaining access to lifesaving vaccines, and coordinating with other states in the Governors Public Health Alliance[9] to strengthen preparedness and safeguard public health in the face of federal sabotage. To accomplish this, this Action Team recommends:

a. DOH should engage in public education initiatives regarding the safety and efficacy of vaccines, coordinating with county and local health departments, schools, and trusted community partners.
b. The department should invest in public health emergency preparedness as a matter of economic and health security and prioritize learnings from COVID-19 after action reports.
c. The department should ensure healthcare facilities are as prepared as possible for the potential influx of patients due to OBBA's sweeping changes and should inspect facilities to ensure quality of care and efficient use of State funds.

Developing the Healthcare Workforce

Recommendation: Attract, educate, and retain New Jersey's healthcare workforce.

New Jersey's demand for healthcare workers, especially primary care providers, continues to outpace supply. The COVID-19 pandemic stressed an already overburdened workforce, leading to significant burnout across the healthcare system, and pushed many workers to leave the field altogether. While demand for services grew due to an aging population and increased mental health concerns, New Jersey's physician supply is declining, and our nursing shortage is projected to be one of the worst in the nation by 2030. Labor shortages for allied professions such as certified nursing assistants, home health aides, dental hygienists and assistants are also growing due to low wages and educational or training barriers to career advancement.

[9] Governors Public Health Alliance, 2025, https://www.govsforhealth.org/.

Within the first 100 days, DOH and the Division of Consumer Affairs (DCA) should jointly convene New Jersey's health professional schools and other appropriate stakeholders to assess the schools' perspectives concerning strengthening the healthcare workforce pipeline with a focus on education and training, living wages, and workforce retention.

To increase primary care workforce capacity, DOH should expand training programs, clinical placements, and incentives, especially in rural and underserved communities. New Jersey should consider increasing residency slots and clinical placement sites for healthcare workers through programs such as the Graduate Medical Education program. The State should also address academic faculty shortages, particularly in nursing and graduate nursing programs. Increasing nursing faculty pay would attract more nurse educators and allow nursing schools to open spots for applicants.

DOH should also develop and support a community-based workforce that can provide preventive and primary care to treat patients at the earliest stage to improve health outcomes and lessen expenses with fewer high-cost services. Increasing funding to help connect New Jersey residents, particularly those who need assistance such as older residents, those with disabilities, or those with modest incomes, to healthcare navigators, Community Health Workers (CHWs) and community-based organizations will reduce emergency department utilization and prevent coverage gaps. The Action Team also recommends investing in mobile clinics to deliver low-cost preventative services to reduce hospital admissions.

To improve healthcare worker retention, New Jersey should help establish career ladders to support worker advancement and, to the extent feasible, consider increased wages for RN professionals, Personal Care Assistants (PCAs), Certified Home Health Aides (CHHAs), Certified Nursing Assistants (CNAs), CHWs and other healthcare providers treating vulnerable populations. Another key way to retain a strong healthcare workforce is to make it easier for entry-level workers to earn promotions to higher paying and more skilled positions over time. New Jersey should consider steps the State can take along with the private sector to increase opportunities for entry level workers to earn livable wages and career advancement opportunities.

DCA should utilize additional sources of support to mitigate healthcare provider shortages. Through regulatory actions, New Jersey could quickly establish an alternative licensure and employment pathway for recent retirees or out-of-state professionals. New Jersey also could statutorily authorize a refundable tax credit for caregiving expenses to recognize unpaid family caregivers who sacrifice their time and personal income to provide billions in care annually.

The Department of Treasury, in consultation with DOH, should consider establishing and expanding student loan redemption programming to retain healthcare workers, particularly nurses and primary care providers. New Jersey should consider scholarships and other funding options for degree programs losing professional degree status as a result of federal changes.

Lastly, DOL should ensure enforcement of labor protections for healthcare workers, particularly wage and hour enforcements for in-home and community-based workers. Proper enforcement of current protections and wages will bolster the delivery of care in lower-cost, community-based, and in-home settings, providing patients with better health outcomes and less expensive services.

Recommendation: Prioritize expediting and streamlining licensing and licensing renewal at DCA.

New Jersey's healthcare workforce shortage is exacerbated by delays in the licensing process. Restrictions on healthcare professionals' scope of practice also contribute to challenges in accessing care and the ability of healthcare providers to practice to the full extent of their education and abilities.

New Jersey should consider increased DCA staffing and invest in more efficient professional licensing platforms and technology to alleviate the delays and expensive backlogs that contribute to the workforce shortage. Technological upgrades would also allow for a more accessible system for low wage earners who do not have access to desktop computers. Revenues generated through the licensing process can help offset state investments.

To address information policy development and allocation of scarce resources, DCA should also implement data-driven workforce planning through improved data collection, analysis, and forecasting tools to support the healthcare workforce New Jersey needs. By collecting more comprehensive provider demographic data through the licensure process**,** including race, ethnicity, education and training, stakeholders could create informed action plans to more effectively recruit, train and retain a healthcare workforce, particularly from underrepresented groups in need of better training and education opportunities. It would also help ensure patients are receiving culturally and linguistically competent care.

The department should also ensure primary healthcare providers are practicing to the top of their license and should consider policies such as abolishing joint protocol agreement requirements for Advanced Practice Nurses (APNs).

Finally, DOH and DCA should unify licenses for Certified Home Health Aides and Certified Nursing Assistants (CHHAs and CNAs) to give more flexibility to workers holding these licenses and increase administrative efficiency.

Recommendation: Optimize telehealth in New Jersey to promote affordability and improved access.

Telehealth is an effective tool to expand access to healthcare and improve affordability by reducing time and travel barriers and enhancing clinical efficiency, especially in behavioral and mental health. It can improve the patient experience by removing obstacles to care, and it can also potentially lower system-wide expenses by increasing efficiency and preventing costly emergency visits. New Jersey should work towards a healthcare system where people have access to safe, effective and appropriate care when and where they need it, while enabling clinicians to do more for more people. New Jersey should analyze access disparities across the healthcare system and better educate and train healthcare professionals to deliver care through telehealth when appropriate.

Recommendation: Direct the Commissioner of Health to review and adopt best practices in expanding access to a culturally competent workforce to reduce the maternal morbidity (compromised health) and mortality for Black women.

New Jersey is ranked near the bottom of states for maternal deaths and has one of the widest racial disparities for both maternal and infant mortality. Black mothers are 3.7 times more likely to die from pregnancy-related complications than white mothers, and Black infants are 3.4 times more likely to die before their first birthday than white infants. Black women in New Jersey also experience higher rates of preterm birth, low birth weight, and preventable maternal deaths. Black women are also more likely to receive unnecessary cesarian sections, which put them at a higher risk for serious post-surgical complications. Racism and implicit bias in healthcare delivery contribute to these disparities. Meanwhile, only seven percent of midwives in New Jersey are Black, and midwives attend only ten percent of births.

The Commissioner of Health should continue the work of "Nurture NJ," the multi-agency initiative to continue the State's efforts to reduce maternal mortality rates, with a specific focus on improving access to care, quality of care, and outcomes for Black women and consider whether additional action steps are necessary.

The Commissioner of Health should also review reports such as the Nurture NJ Strategic Plan,[10] the Biden Administration's "White House Blueprint for Addressing the Maternal Health Crisis," [11] other New Jersey-centered reports,[12] and best practices from other states to determine what additional steps the State can take to address this unacceptable crisis.

Recommendation: Modernize New Jersey's midwifery licensure process and regulations, including establishing an independent midwifery board and addressing their scope of practice, privileges in birth centers and/or hospitals, and reimbursement parity.

By modernizing the midwifery licensing process, New Jersey can bolster midwifery education pipelines and expand access to culturally competent care models proven to reduce unnecessary interventions and improve maternal and infant health outcomes. Diversifying the workforce promotes patient trust and ensures care is reflective of patients' cultural, social, and economic realities, leading to improved health outcomes. This is particularly important for families who choose home or birth-center settings and for Black communities disproportionately impacted by poor health outcomes. New Jersey should evaluate whether legislation is necessary within the first 100 days.

Boosting Transparency and Consumer Protections to Increase Affordability

[10] V.K. Hogan et al., The Nurture NJ Strategic Plan, January 2021, https://nurturenj.nj.gov/wp-content/uploads/2021/01/20210120-Nurture-NJ-Strategic-Plan.pdf.
[11] "WHITE HOUSE BLUEPRINT FOR ADDRESSING THE MATERNAL HEALTH CRISIS," The White House, June 2022, https://bidenwhitehouse.archives.gov/wp-content/uploads/2022/06/Maternal-Health-Blueprint.pdf.
[12] "Maternity Action Plan," New Jersey Health Care Quality Institute, July 2022, https://www.njhcqi.org/wp-content/uploads/2022/07/Maternity-Action-Plan.pdf.

Rising healthcare costs are a challenge beyond the potential coverage losses, as working individuals, families, employers, and state and local agencies are struggling with the cost of healthcare. Several states including Massachusetts,[13] [14] Washington,[15] Maryland,[16] and California,[17] have taken significant steps to reduce costs by increasing transparency requirements and in some cases putting restrictions on cost increases. There are many strategies New Jersey can and should consider to address the issue. However, the Action Team noted that cost containment strategies should be considered in the context of significant changes to the healthcare system from OBBA, and that strategies should be considered holistically; i.e., across the whole system, including managed care administrative costs, provider payments and prescription drug costs.

Recommendation: Evaluate existing State contracts, particularly with Medicaid managed care organizations (MCOs), to ensure the effective use of public dollars and access to care.

Since most Medicaid dollars flow to Medicaid Managed Care Organizations (MCOs), DHS should, within the first few months of the Sherrill-Caldwell Administration, review MCOs' contracts to ensure they are providing the best possible care to New Jersey residents and high value to the State and taxpayers. As discussed above, MCOs need to be tasked with retaining Medicaid eligibility in light of OBBA's changes to the greatest extent possible, with a particular focus on outreach and enrollment simplification efforts. MCOs contracts also need to be evaluated through cost containment and quality of care lenses. The Action Team recommends New Jersey promote value-based care models and community-based care models in MCOs contracts to more efficiently use state funds and promote better health outcomes. The Action Team also recommends New Jersey evaluate the adequacy of the Medicaid MCOs provider networks and enforce minimum access requirements. It may be that current regulations are sufficient and only require enforcement, or additional requirements might be necessary.

Recommendation: DOH should collect more data on costs from all aspects of the healthcare system including but not limited to health plans, providers, and Pharmacy Benefit Managers (PBMs) and bring together a task force that includes industry representatives, consumers, and enrollees to work on proposals to bring down costs.

Understanding more about health care costs and making them more transparent to the public is a key step to addressing costs. More information will help New Jersey policy makers determine which additional

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[13] "Pricing Transparency Provisions of an Act Promoting a Resilient Health Care System That Puts Patients First ('patients First')," Mass.gov, March 11, 2022, https://www.mass.gov/news/pricing-transparency-provisions-of-an-act-promoting-a-resilient-health-care-system-that-puts-patients-first-patients-first.
[14] "Hearing to Determine the 2025 Health Care Cost Growth Benchmark ," Massachusetts Health Policy Commission, 2024, https://www.mass.gov/doc/presentation-2024-benchmark-hearing/download.
[15] "Washington's APCD," Washington HealthCareCompare, accessed January 6, 2026, https://www.wahealthcarecompare.com/washingtons-apcd.
[16] "HEALTHCARE EXPENDITURES," Maryland Health Care Commission, May 16, 2025, https://mhcc.maryland.gov/mhcc/pages/plr/plr_healthmd/plr_healthmd.aspx.
[17] "Health Care Payments Database (HPD): California Committee for the Protection of Human Subjects Board Meeting," HCAI Department of Health Care Access and Information, April 2025, https://www.chhs.ca.gov/wp-content/uploads/2024/02/HCAI-Healthcare-Payments-Database-CADRP-Jan-2024.pdf.

regulatory or legislative actions are required to increase affordability. Additionally, many believe that when prices are visible, patients and employers can compare options, which encourages competition and puts downward pressure on unnecessary price variation. The Action Team recommends this effort include engagement with the healthcare sector as well as insured New Jersey residents and/or residents utilizing healthcare services. The State could consider establishing an all payer claims database (APCD) to collect and analyze aggregated healthcare claims data to promote transparency, fill critical information gaps on costs, utilization and quality, and support consumer, purchaser and state reform efforts. Several states have created APCDs in an effort to create more transparency about costs in the health care system.

Recommendation: Strengthen enforcement of existing rules that promote transparency, quality, and affordability and explore what additional authority is necessary. Additional steps may include bolstering state authority to investigate, scrutinize, and block healthcare mergers and acquisitions for potential anti-competitive conduct, which increase healthcare costs.

New Jersey has existing rules to address the pressing healthcare issues facing the state, including staffing requirements, quality standards and inspection of healthcare facilities. Increased enforcement of existing requirements might address current concerns from stakeholders. Strengthening enforcement will need additional budgetary investments to increase staff. The Action Team recommends that DOBI strengthen enforcement of existing rules, including reviewing insurance companies' practices (market behavior), and payment for those who sell insurance (broker behavior and commissions). Additional recommended steps include strengthening DOBI's rate review authority to require prior approval of proposed premium increases, conducting market audits of insurers, and implementing the independent audit provisions of the doctors, hospitals and other providers that participate in the health plan (i.e., provider networks) as required under current law.

DOBI and DHS should examine opportunities for administrative simplification to increase affordability and address provider burnout. Many providers are citing health plan prior authorization requirements as drivers of high administrative costs and provider burnout. There may be other administrative simplification efforts such as requiring prompt payment of claims that could help support providers, particularly safety net providers, and reduce administrative costs. New Jersey should consider regulatory or legislative policies to streamline administrative costs for health plans and providers.

Finally, the Attorney General should consider options to address costs. Many experts believe that consolidation in healthcare markets lead to increased healthcare costs and may result in compromised healthcare. While the Federal Trade Commission and Department of Justice review these issues at the national level, New Jersey may wish to explore bolstering state authority and not rely entirely on federal efforts.

Recommendation: Explore lessons from other states to make coverage more affordable and potentially increase federal funding on GetCoveredNJ.

Congress' failure to extend the enhanced affordability subsidies under the ACA will have devastating consequences for New Jersey, which has achieved the lowest uninsured rate ever recorded as a result of the ACA and GetCoveredNJ, New Jersey's ACA marketplace. It is estimated that 60,000 New Jerseyans will lose federal financial help and the average premium on the marketplace will increase a staggering

174 percent as a result, making the affordability crisis all the more urgent.[18] Others may continue to buy coverage but with high deductibles, so they are unable to afford the care they need. New Jersey should explore options to preserve affordable marketplace coverage in the face of these threats, including the possibility of a Basic Health Program, which is a program that New York and Minnesota have used to lower health care costs for people immediately above the Medicaid coverage threshold up to 200 percent of the federal poverty level ($31,200 for an individual and $64,300 for a family of four). Also, some states, including New Jersey, have been able to use federal waiver authority under Section 1332 of the ACA to leverage federal tax credit funding to increase affordability for individuals and families. DOBI should investigate additional strategies to leverage federal funding under this authority.

Recommendation: Enforce existing PBM transparency requirements, implement additional transparency requirements, and aggressively pursue reforms that will address anticompetitive business practices and protect consumers and independent pharmacies.

The U.S. drug pricing system is notoriously complex and confusing. Spending on prescription drugs is a growing concern for families as well as state budgets, as prescription drug costs as a share of healthcare spending continues to grow. As a result, far too many New Jerseyans skip or delay medications.

Additional barriers to accessing lifesaving medicines include prior authorization, step therapy (requiring patients to fail one medication before trying the next), and inadequate reimbursement to pharmacies. Increasingly, the role of PBMs is under scrutiny as a potential contributor to rising prescription drug costs.

Below is a menu of aggressive potential strategies that the State could implement to address soaring prescription drug costs. In choosing which proposals to pursue, New Jersey should weigh the benefits and tradeoffs before pursuing, particularly as many of these options are mutually exclusive and/or would have financial implications. The initiatives would likely require statutory changes and need to be crafted carefully to ensure continued access to life-saving medications for people with severe, chronic conditions, such as individuals living with HIV (see, e.g., longer-acting HIV products[19]).

- **Option A:** Authorize the New Jersey prescription drug affordability council to set upper payment limits for certain prescription drugs, mirroring models enacted in Colorado and Maryland.
- **Option B:** Require MCOs and PBMs to reimburse pharmacies at the same rate established under the fee for service program.
- **Option C:** Prohibit charging payers a different rate relative to what the PBM pays the pharmacy across all lines of business and for Medicaid and Medicare.
- **Option D:** Prohibit retained rebates or pass through 100 percent of rebates.
- **Option E:** Restrict how PBMs design pharmacy networks. Prohibit restricting networks to vertically integrated pharmacies or steering patients to affiliated pharmacies.

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[18] "NJ Department of Banking and Insurance Releases Final Health Insurance Rates for the Individual Market for Plan Year 2026 ," *Department Press Releases/Newsletters/Reports*, October 27, 2025, State of New Jersey Department of Banking and Insurance, https://www.nj.gov/dobi/pressreleases/pr251027.html.

[19] Jeffrey S. Crowley et al., "Brief: Medicaid Leadership Must Ensure Access to Longer-Acting HIV Products," Georgetown Law O'Neill Institute, July 15, 2024, https://oneill.law.georgetown.edu/publications/brief-medicaid-leadership-must-ensure-access-to-longer-acting-hiv-products/.

- **Option F:** Prohibit price-linked compensation (i.e., delink PBM compensation from negotiated rebates). Additionally, prohibit the use of list prices to determine PBM compensation and fee models and utilization levels.
- **Option G:** Prohibit spread pricing, a practice in which PBMs charge health plans more for a prescription than they reimburse to the pharmacy for the drug and keep the difference as profit (i.e., mandate that Medicaid payments go directly to dispensing pharmacies).
- **Option H:** Bolster antitrust enforcement authority to investigate anticompetitive activity with PBMs, insurers and pharmacies that lead to higher prices.

Other Policy Considerations

As noted in the body of the full report, New Jersey's escalating healthcare costs are unsustainable. Increased costs lead to significant financial strain for patients and their families, increase stress, may lead to delayed or avoided care, and contribute to increased inequalities in healthcare access and outcomes for low- and moderate-income residents.

While not all Healthcare Transition Action Team members agree with this approach, multiple team members and many on the broader Transition Task Force recommended the State of New Jersey consider implementing cost containment strategies, with a specific focus on providers, to help achieve savings for the state as well as employers and individuals. The following initiatives were considered, and did not achieve unanimous consensus, but may warrant additional consideration by the Sherrill-Caldwell Administration.

Potential Area of Consideration: Codify the Office of Healthcare Affordability, Responsibility and Transparency (OHART) to establish a hospital price growth benchmark.

In December 2021, Governor Phil Murphy signed Executive Order 277, launching the Health Care Affordability, Responsibility, and Transparency (HART) Program. The program establishes targets to slow the growth of health care costs in New Jersey and collects data to measure progress and improve transparency. The program analyzes all areas of spending, including insurance, hospitals and providers, and pharmaceuticals.

Codifying the program will bolster data collection, enable the State to track progress and improve overall cost transparency, with the goal of reducing the rate of growth of healthcare costs. Several other states already have similar programs, and New Jersey can learn from those efforts.[20]

[20] Grace Flaherty and January Angeles , "Beyond Public Reporting: Strengthening Accountability to States' Cost Growth Targets and Leveraging Targets in Health Care Oversight," Milbank Memorial Fund, June 24, 2025, https://www.milbank.org/publications/beyond-public-reporting-strengthening-accountability-to-States-cost-growth-targets-and-leveraging-targets-in-health-care-oversight/.

Potential Area of Consideration: Because hospital costs constitute the largest single component of healthcare spending, 21 many proposals focus on hospital pricing. New Jersey could consider the following actions:

a. Consider enacting legislation to create out-of-network hospital price caps at a fixed percentage of the Medicare rate for all health plans subject to state regulation.
b. Consider utilizing reference-based pricing for the State Health Benefits Program and commercial markets. Reference-based pricing contains costs by setting reimbursement rates for medical services according to a predetermined benchmark using objective, industry accepted metrics rather than basing costs on negotiated prices with providers.
c. Consider legislation to establish site neutral payments for health plans subject to state regulation. Consider an opt-in process for self-funded ERISA plans. Site neutral payment reform could equalize payments for healthcare services across different healthcare settings and potentially lower costs for patients, employers, and taxpayers.

[21] Zachary Levinson et al., "Key Facts about Hospitals," KFF, February 19, 2025, https://www.kff.org/health-costs/key-facts-about-hospitals/?entry=overview-introduction.