

Estimated Impact of Reference-Based Pricing for New Jersey State Employees

New Jersey has the [twentieth](#) highest hospital facility prices in the nation. Data from 2022 shows that New Jersey hospitals [charged](#) commercial insurers prices that averaged 267% of Medicare rates, exceeding the national average. These high prices are driving up premiums and out-of-pocket costs, [contributing to](#) wage stagnation and job losses, while also placing increasing pressure on the state budget.

Under the state's Fiscal Year 2026 Appropriations [Act](#), the state and public employees' representatives on the State Health Benefits Plan Design Committee are directed to develop proposals to save the New Jersey State Health Benefits Program (SHBP) at least \$100 million in the first six months of plan year 2026. This memo presents an estimate of the savings to the SHBP if reference-based pricing were enacted, and forecasts the impacts on hospitals' finances.

Reference-Based Pricing

States across the country have been struggling to control costs in their health care systems. As states are considering their policy options, some states have begun to address [the largest driver](#) of health care spending: hospital prices for commercially insured patients. The most notable of these efforts have involved the establishment of reference-based price caps for hospitals. These policies set upper limits—usually expressed as a percentage of Medicare payments—on the prices that hospitals can receive for medical services. Medicare rates are commonly used as a benchmark due to the transparency of Medicare rates. Medicare rates are also designed to [fully cover](#) operating costs for efficient hospitals. Two states, [Oregon](#) and [Washington](#), have established reference-based price caps on reimbursements to hospitals under their state employee health plans. And two other states, [Indiana](#) and [Vermont](#), have gone even further—establishing reference-based price caps on the amount that hospitals can receive from any payer, including state employee health plans.

This policy has a proven track record in states where it has been deployed. In 2017, Oregon established a reference-based hospital price cap for its state employee health plan, limiting reimbursements to 200% of Medicare payments for in-network hospitals and 185% of Medicare rates for out-of-network hospitals. Within the first 27 months of the policy's implementation, the

policy [saved](#) the state more than \$107 million. To date, all 24 hospitals that were in the plan's network prior to the policy have remained in-network—likely incentivized by the policy's lower cap for out-of-network providers. This policy did not lead to higher prices among the non-state employee commercial market. A separate [study](#) found that the policy led to a 9.5% reduction in hospital out-of-pocket spending for state employees. Similarly, Montana's state employee health plan previously used reference-based price caps in its contract negotiation process with hospitals, [yielding](#) \$47.8 million in savings over a three-year period.

Key Findings

Using data from the Employer Hospital Price Transparency Study (Round 5.1) and the National Academy for State Health Policy Hospital Cost Tool, researchers from the Center for Advancing Health Policy through Research (CAHPR) at the Brown University School of Public Health estimate that reference-based pricing for New Jersey state employees, set at a cap of 200% of Medicare payments, would save the New Jersey State Health Benefits Program approximately **\$433.3 million** annually across 61 hospitals in New Jersey (see **Table 1**). Commercial operating margins at the 61 hospitals are expected to be minimally impacted and to average 33.4% (down from 35.2%). Overall operating margins are expected to average 8.1% (down from 9.3%).

Our findings suggest that implementing reference-based pricing for New Jersey state employees—capping hospital payments at no more than 200% of Medicare rates—could result in substantial health care savings to public employee purchasers. While the policy could deliver significant savings for the state, it would also reduce operating profit margins for the affected hospitals.

Table 1. Estimated Savings to New Jersey State Employees by Hospital at 200%

| Medicare Provider Number | Hospital Name | Inpatient Relative Prices (%) | Outpatient Relative Prices (%) | Total Savings (\$, in millions) | Commercial Operating Margins (%) | | Operating Margins (%) | |
|--------------------------------|--|-------------------------------------|--------------------------------------|---------------------------------------|-------------------------------------|----------|-----------------------|----------|
| | | | | | Without Cap | With Cap | Without Cap | With Cap |
| 310001 | Hackensack University Medical Center | 297.9 | 315.8 | 38.6 | 46.8 | 44.9 | 13.0 | 11.3 |
| 310002 | Newark Beth Israel Medical Center | 221.2 | 349.2 | 5.6 | 67.3 | 66.5 | 15.9 | 15.2 |
| 310003 | Palisades Medical Center | 282.0 | 275.5 | 1.1 | -1.4 | -4.3 | 7.0 | 6.5 |
| 310005 | Hunterdon Medical Center | 215.7 | 337.7 | 7.8 | 50.9 | 49.5 | 35.9 | 34.5 |
| 310006 | St Mary's General Hospital | -- | 179.0 | 0.0 | 29.8 | 29.8 | 19.3 | 19.3 |
| 310008 | Holy Name Medical Center | 219.1 | 330.4 | 10.0 | 28.4 | 26.0 | 14.7 | 12.9 |
| 310009 | Clara Maass Medical Center | 235.7 | 256.7 | 2.7 | 56.0 | 55.2 | 8.7 | 8.0 |
| 310010 | Penn Medicine Princeton Medical Center | 249.7 | 239.0 | 6.5 | 39.7 | 38.7 | 22.8 | 21.9 |
| 310011 | Cape Regional Medical Center, Inc | -- | 387.8 | 2.3 | 25.4 | 21.7 | -3.9 | -5.8 |
| 310012 | Valley Hospital | 347.5 | 302.0 | 24.7 | 45.3 | 43.2 | 25.8 | 23.8 |
| 310014 | Cooper University Hospital | 189.5 | 338.7 | 16.3 | 54.8 | 53.7 | 20.8 | 19.8 |
| 310015 | Morristown Medical Center | 258.1 | 201.4 | 13.1 | 31.7 | 30.8 | 12.0 | 11.3 |
| 310016 | Carepoint Health-Christ Hospital | 276.2 | 369.6 | 1.0 | -20.5 | -25.3 | -17.5 | -18.5 |
| 310017 | Chilton Medical Center | -- | 290.0 | 3.9 | 37.4 | 35.5 | 10.6 | 9.2 |
| 310019 | St Joseph's University Medical Center | 129.5 | 218.1 | 0.6 | 25.2 | 24.9 | 13.4 | 13.3 |
| 310021 | St Francis Medical Center | -- | 284.8 | 0.7 | 5.9 | 3.1 | -6.5 | -7.3 |
| 310022 | West Jersey Hospital | 322.5 | 430.6 | 27.7 | 47.1 | 44.6 | 16.9 | 14.5 |
| 310024 | Robert Wood Johnson University Hospital At Rahway | -- | 335.3 | 2.1 | 47.3 | 45.2 | -1.9 | -3.7 |
| 310025 | Carepoint Health - Bayonne Medical Center | -- | 337.7 | 2.4 | 10.4 | 6.6 | -11.6 | -13.5 |
| 310027 | Trinitas Regional Medical Center | -- | 201.4 | 0.0 | -- | -- | -14.7 | -14.7 |
| 310028 | Newton Medical Center | -- | 331.4 | 3.4 | 34.3 | 31.8 | 1.6 | -0.2 |
| 310029 | Virtua Our Lady Of Lourdes Hospital | 202.6 | 368.4 | 3.6 | 52.0 | 51.0 | 11.7 | 11.0 |
| 310032 | Inspira Medical Center Vineland | 311.9 | 367.8 | 8.2 | 17.5 | 14.1 | 5.0 | 3.4 |
| 310034 | Riverview Medical Center | 347.6 | 270.5 | 7.6 | 45.2 | 43.1 | 12.1 | 10.3 |
| 310038 | Robert Wood Johnson University Hospital | 280.3 | 307.1 | 23.4 | 44.2 | 42.4 | 8.7 | 7.2 |
| 310039 | Raritan Bay Medical Center | 235.7 | 319.5 | 3.4 | 48.6 | 47.2 | 7.8 | 6.7 |
| 310040 | Carepoint Health-Hoboken University Medical Center | 244.2 | 389.6 | 1.7 | 7.5 | 4.4 | -16.4 | -17.9 |
| 310041 | Community Medical Center | 277.2 | 307.4 | 5.0 | 46.4 | 44.6 | 5.6 | 4.6 |
| 310044 | Capital Health Medical Center - Hopewell | 276.5 | 372.1 | 20.3 | 68.7 | 67.4 | 45.2 | 43.6 |
| 310045 | Englewood Hospital And Medical Center | 168.6 | 362.9 | 21.8 | 71.2 | 70.2 | 43.4 | 42.0 |
| 310047 | Shore Medical Center | -- | 401.5 | 6.1 | 58.3 | 56.4 | 21.5 | 19.5 |
| 310048 | Robert Wood Johnson University Hospital Somerset | 347.4 | 342.3 | 8.1 | 39.1 | 36.5 | 9.0 | 6.8 |
| 310050 | Saint Clare's Hospital | 171.7 | 198.7 | 0.0 | 32.8 | 32.8 | 10.2 | 10.2 |
| 310051 | Overlook Medical Center | 233.8 | 407.1 | 18.3 | 29.9 | 27.3 | 11.4 | 9.6 |
| 310052 | Ocean University Medical Center | 305.8 | 330.4 | 7.1 | 41.1 | 38.9 | 8.2 | 6.7 |
| 310054 | Hackensack Meridian Health, Mountainside Medical | 257.3 | 282.0 | 3.7 | 29.5 | 27.6 | 13.0 | 12.0 |
| 310057 | Virtua Mount Holly Hospital | 305.6 | 393.7 | 8.7 | 47.4 | 45.1 | 15.3 | 13.2 |
| 310060 | St Luke's Warren Hospital | -- | 293.3 | 2.7 | 54.5 | 52.9 | 31.4 | 30.3 |
| 310061 | Virtua Willingboro Hospital | -- | 405.4 | 2.5 | 36.8 | 33.7 | 9.5 | 7.4 |
| 310064 | Atlanticare Regional Medical Center - City Campus | 221.8 | 356.4 | 13.6 | 53.3 | 51.7 | 24.4 | 23.1 |
| 310069 | Inspira Medical Center Elmer | 197.6 | 306.2 | 4.4 | 44.5 | 43.4 | 14.2 | 13.3 |
| 310070 | Saint Peter's University Hospital | 212.9 | 272.7 | 3.5 | 42.2 | 41.5 | 22.4 | 21.9 |
| 310073 | Jersey Shore University Medical Center | 279.5 | 290.2 | 19.3 | 53.8 | 52.3 | 20.4 | 19.1 |
| 310074 | Jersey City Medical Center | 188.2 | 226.9 | 0.9 | 33.4 | 33.0 | 4.1 | 3.9 |
| 310075 | Monmouth Medical Center | 163.8 | 286.7 | 2.5 | 38.1 | 37.5 | 4.5 | 4.0 |
| 310076 | Cooperman Barnabas Medical Center | -- | 279.4 | 15.0 | 43.7 | 42.1 | 13.3 | 12.1 |
| 310083 | East Orange General Hospital | -- | 213.6 | 0.1 | -80.2 | -81.2 | -24.1 | -24.2 |
| 310084 | Monmouth Medical Center-Southern Campus | -- | 259.6 | 0.8 | 36.7 | 35.3 | -5.2 | -5.9 |
| 310086 | Jefferson Stratford Hospital | 216.7 | 303.8 | 5.4 | -18.7 | -21.2 | 15.8 | 15.2 |

| | | | | | | | | |
|--------|--|-------|-------|------|-------|-------|-------|-------|
| 310091 | Salem Medical Center | -- | 261.5 | 0.6 | 279 | 26.2 | -32.6 | -34.8 |
| 310092 | Capital Health Regional Medical Center | -- | 351.3 | 9.8 | 72.1 | 70.9 | 34.1 | 32.6 |
| 310096 | Saint Michael's Medical Center | -- | 201.7 | 0.1 | 679 | 679 | 20.7 | 20.7 |
| 310108 | Jfk University Medical Center | 303.7 | 290.4 | 12.9 | 379 | 35.8 | 5.0 | 3.2 |
| 310110 | Robert Wood Johnson University Hospital Hamilton | -- | 324.9 | 3.6 | 34.1 | 31.5 | 0.2 | -1.7 |
| 310111 | Centrastate Medical Center | 115.4 | 376.9 | 4.9 | 24.2 | 21.6 | -10.7 | -12.5 |
| 310112 | Bayshore Medical Center | -- | 314.3 | 3.2 | 42.4 | 40.3 | 0.8 | -0.9 |
| 310113 | Southern Ocean Medical Center | -- | 350.9 | 4.5 | 46.3 | 44.0 | 10.5 | 8.7 |
| 310115 | Hackettstown Medical Center | -- | 318.9 | 2.0 | 35.0 | 32.7 | -0.1 | -1.9 |
| 310118 | Hudson Regional Hospital | -- | 190.0 | 0.0 | 18.3 | 18.3 | 10.0 | 10.0 |
| 310119 | University Hospital | 102.7 | 175.0 | 0.0 | -13.4 | -13.4 | -7.4 | -7.4 |
| 310130 | Hackensack Meridian Health Pascack Valley Medical | 327.4 | 293.0 | 3.3 | 38.7 | 36.5 | 12.3 | 10.2 |

Source: Analysis using data from the Employer Hospital Price Transparency Study (Round 5.1) and the National Academy for State Health Policy Hospital Cost Tool, 2022

Notes: "Relative prices" are the estimated average prices paid by the New Jersey state employees relative to Medicare payments for equivalent sets of services. New Jersey state employees represent about 11% of the commercially-insured population in New Jersey.