

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 4328
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: NOVEMBER 21, 2016

SUMMARY

Synopsis: Provides for procurement by State of pharmacy benefits manager, automated reverse auction services, and claims adjudication services.

Type of Impact: Potential expenditure reduction to the State General Fund, local government funds, school district funds.

Agencies Affected: Division of Purchase and Property in the Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
State Savings		Indeterminate – See comments below	
Local Savings		Indeterminate – See comments below	

- This bill will expedite the procurement of a Pharmacy Benefits Manager (PBM) and add new PBM-related oversight services, namely technical assistance to evaluate the qualifications of bidders for a PBM contract through reverse auction and automated claims adjudication.
- The Office of Legislative Services (OLS) notes that the fiscal impact of this bill is indeterminate, but there is potential for expenditure reductions.
- The evaluation of the qualifications of bidders for the PBM contract based on an automated reverse auction may put downward pressure on pricing resulting in savings to the State Health Benefits Program (SHBP) and the School Employees’ Health Benefits Program (SEHBP) from achieving reduced prices.
- The automated claims adjudication services may or may not result in savings from auditing financial elements (pricing, payments, and fees); plan design (cost sharing, formulary structure, and utilization review); eligibility verification; rebate reimbursement; and performance guarantee.
- The OLS notes that no information has been provided with regard to the cost of these contracts or what elements and services will or will not be included in the contracts.

BILL DESCRIPTION

Assembly Bill No. 4328 of 2016 provides that the State will procure, in an expedited manner, professional services contracts for:

technical assistance to evaluate the qualifications of bidders on a PBM procurement and online automated reverse auction services to support comparison of the pricing for the PBM procurement;

real-time, electronic, line-by-line, claim-by-claim review of invoiced PBM pharmacy claims using an automated claims adjudication technology platform that allows for online comparison of PBM invoices and auditing of other aspects of the services provided by the PBM; and

a PBM for the State Health Benefits Plan or the School Employees' Health Benefits Plan.

The bill authorizes the Division of Purchase and Property in the Department of the Treasury, to the extent necessary, to waive or modify any other law or regulation that may interfere with the procurement of these services.

It is anticipated that the assistance of these professional services vendors and this method of awarding a pharmacy benefits manager contract will save substantial amounts of public funds.

The bill will take effect immediately and expire after the next PBM contract is awarded.

State budget savings that will result from the awarding of the contracts specified in this bill should be credited toward the \$250 million of savings to the State in health care costs for public employees, savings that were assumed in the State Fiscal Year 2017 Appropriations Act (P.L.2016, c.10).

FISCAL ANALYSIS

EXECUTIVE BRANCH

No information available.

OFFICE OF LEGISLATIVE SERVICES

The OLS is not able to determine the fiscal impact of expediting the procurement of a PBM and adding new PBM-related oversight services for the SHBP and the SEHBP. The evaluation of the qualifications of bidders for the PBM contract based on an automated reverse auction may put downward pressure on pricing resulting in savings to the SHBP and the SEHBP from reduced prices. The automated claims adjudication services may or may not result in savings from auditing financial elements (pricing, payments, and fees); plan design (cost sharing, formulary structure, and utilization review); eligibility verification; rebate reimbursement; and performance guarantee. Any savings will be offset by the cost of the reverse auction and claims adjudication contracts.

The OLS notes that no information has been provided with regard to the cost of these contracts or what elements and services will or will not be included in the contracts.

Section: State Government

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).