

LEGISLATIVE FISCAL ESTIMATE
[First Reprint]
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 413
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JANUARY 18, 2022

SUMMARY

Synopsis: Expands requirements for health insurers and Medicaid program to cover prescriptions for contraceptives to 12 months.

Type of Impact: Impact on State General Fund expenditures, local government funds.

Agencies Affected: Division of Pensions and Benefits in the Department of the Treasury; local government entities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1 and Thereafter</u>
State Impact	Marginal
Local Impact	Marginal

- The Office of Legislative Services (OLS) notes that current law requires health insurers, the State Health Benefits Program, and the School Employees' Health Benefits Program who provide coverage for prescription female contraceptives to dispense prescription female contraceptives on a three-month basis for the initial prescription and on a six-month basis thereafter. The Medicaid State Plan provides that all initial prescriptions and refills, which would include contraceptives are limited to a 34-day supply or 100 unit doses, whichever is greater.
- According to the Division of Pensions and Benefits at the March 18, 2016 Pension and Health Benefits Review Commission meeting, dispensing contraceptive prescription drugs in batches of 12-months at a time may result in incurred "spillage/waste" costs to the State Health Benefits Program and the School Employees' Health Benefits Program, because a plan participant could stop using contraceptives prior to the end of the 12-month prescription period leaving a quantity of pills unused. Savings from the reduction in unintended pregnancies is indeterminate.

- The OLS notes that according to an article published by the New Jersey Health Care Quality Institute, a May 2019 report issued by the New Jersey Mandated Health Benefits Advisory Commission stated that the change to dispensing contraceptives on a 12-months at a time basis “would actually ‘result in a net cost savings to insurers, employers, and consumers in New Jersey.’ The report, which was based on 2019 legislation that proposed the same expansion of coverage, estimated \$1.2 million to \$2.7 million in net savings for the state’s health care market and system in just the first year. The savings would be the result of reduced costs associated with unintended pregnancies and takes into account the potential for waste if an individual stops or changes their contraceptive. These estimates do not include extending this policy to the state’s Medicaid program — which, if included, could result in more savings to the state.”

BILL DESCRIPTION

This bill would require health insurers, the State Health Benefits Program and the School Employees’ Health Benefits Program, and the State’s Medicaid program to dispense prescription female contraceptives for up to 12 months at one time.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

Current law requires health insurers, the State Health Benefits Program, and the School Employees’ Health Benefits Program who provide coverage for prescription female contraceptives to dispense prescription female contraceptives on a three-month basis for the initial prescription and on a six-month basis thereafter. Optum Rx currently dispenses female oral contraceptives on a three-month basis. This bill would require health insurers, the State Health Benefits Program and the School Employees’ Health Benefits Program, and the State’s Medicaid Program to dispense prescription female contraceptives for up to 12 months at one time.

According to the Division of Pensions and Benefits at the March 18, 2016 Pension and Health Benefits Review Commission meeting, dispensing contraceptive prescription drugs in batches of 12-months at time may result in incurred “spillage/waste” costs, because a plan participant could stop using contraceptives prior to the end of the 12-month prescription period leaving a quantity of pills unused.

The OLS notes that according to an article published by the New Jersey Health Care Quality Institute, a May 2019 report issued by the New Jersey Mandated Health Benefits Advisory Commission stated that the change to dispensing contraceptives on a 12-months at a time basis “would actually ‘result in a net cost savings to insurers, employers, and consumers in New Jersey.’ The report, which was based on 2019 legislation that proposed the same expansion of coverage, estimated \$1.2 million to \$2.7 million in net savings for the state’s health care market and system in just the first year. The savings would be the result of reduced costs associated with unintended pregnancies and takes into account the potential for waste if an individual stops or changes their contraceptive. These estimates do not include extending this policy to the state’s Medicaid

program — which, if included, could result in more savings to the state.” The OLS notes that according to the Medicaid State Plan, all initial prescriptions and refills are limited to a 34-day supply or 100 unit doses, whichever is greater.

The OLS also notes that in September 2016, California enacted the “Female Contraceptive Act” to allow, beginning in 2017, 12-month prescriptions for female contraceptives. University of California medical researchers estimated that the bill could save employers, consumers, and government agencies a combined \$42.8 million a year by reducing the number of unanticipated pregnancies that occur as a result of inconsistent dosing due to delays in patients’ diligence and barriers to access in filling their prescriptions. Barriers to access include “women who have financial constraints that make transportation, taking time off, and child care issues” difficult to get to the pharmacy to fill prescriptions regularly.

In an article in the March 2011 Journal of Obstetrics and Gynecology published by the United States Library of Medicine, National Institute of Health, researchers found that dispensing a one-year supply of contraceptives reduced unanticipated pregnancies by 30 percent compared to dispensing on a 30-day or 90-day basis. The researchers concluded that “making oral contraceptives more accessible may reduce the incidence of unintended pregnancy and abortion. Health insurance programs and public health programs may avert costly unintended pregnancies by increasing dispensing limits on oral contraceptives to a one-year supply.”

In addition to California, Oregon and the District of Columbia (D.C.) have enacted laws to allow women access to 12-month prescriptions for contraceptives. Oregon was the first state to enact such a law in 2015. According to the Oregon Legislative Fiscal Office, the legislation was determined to have a “minimal expenditure impact on state or local government.”

In 2015, the Council of the District of Columbia enacted the “Access to Contraceptive Amendment Act of 2015” to allow women access to 12-month prescriptions. According to the National Women’s Law Center, quoted in an article published on September 25, 2015 in Kaiser Health News, “this law ‘is going to make a difference for D.C., there’s a high teen pregnancy rate, and pharmacies are not well located for low-income areas.” The Associate Commissioner of the District of Columbia Department of Insurance, Securities and Banking testified that “the bill would not have any effect on the cost of health insurance premiums.”

According to the Kaiser Foundation in a 2016 report, 11 states dispensed contraceptives on a 12-month basis.

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