LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE COMMITTEE SUBSTITUTE FOR

SENATE, No. 887

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JANUARY 28, 2021

SUMMARY

Synopsis: Requires DHS to contract with third party entity to apply risk reduction model to Medicaid prescription drug services.

Type of Impact: Annual State net cost decrease; Annual decrease in State revenue.

Agencies Affected: Department of Human Services.

Office of Legislative Services Estimate

Annual Fiscal Impact	
State Net Cost Decrease	Indeterminate
State Revenue Decrease	Indeterminate

- The Office of Legislative Services (OLS) estimates that the Department of Human Services (DHS) may experience annual cost savings in Medicaid pharmacy benefit expenses due to the application of a risk reduction model to prescription drug services provided under the Medicaid program. This estimate assumes that no overlap exists between the current efforts of Medicaid managed care organizations (MCOs) to achieve quality outcomes and the risk reduction model implemented under the bill. The OLS notes that, to the extent an overlap does exists, the annual cost savings would decrease.

- The DHS will also incur indeterminate annual expenditure increases to contract with a third party to apply the risk reduction model and to establish a data-sharing platform to provide the third party entity with Medicaid claims information. While these expenses will reduce the savings achieved from the application of the model, the OLS anticipates a net decrease in State costs during the contract period.

- Further, to the extent that eligible State Medicaid expenditures are matched by federal Medicaid funds, a decrease in State Medicaid spending may result in lower annual State revenues.

BILL DESCRIPTION

The bill requires the DHS to contract with a third party entity to apply a risk reduction model to prescription drug services provided under the Medicaid program for the purpose of identifying and reducing simultaneous, multi-drug medication-related risk and adverse drug events, enhancing compliance and quality of care, and improving health-related outcomes while reducing total cost of care in a measurable and reportable manner. To carry out this purpose, the model will leverage Medicaid prescription drug claims data, pharmacokinetic and pharmacodynamic sciences, appropriate technologies, clinical call centers located in New Jersey and staffed by board-certified pharmacists, and include coordination of services with a network of local community pharmacies located throughout the State. For the duration of the contract, the division will share the medical and pharmacy claims data, including historical data, for all Medicaid beneficiaries with the third party entity administering the model for the purposes of effectuating the model.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the DHS may experience annual cost savings in Medicaid pharmacy benefit expenses due to the application of a risk reduction model. Pharmacy benefits under the Medicaid program are administered by MCOs. MCOs have a financial interest in administering these benefits and implement their own initiatives to leverage quality outcomes. This estimate assumes that no overlap exists between the current MCO efforts and the risk reduction model implemented under the bill. The OLS notes that, to the extent an overlap does exists, the annual cost savings would decrease.

Any cost savings achieved under the bill would be somewhat mitigated by the expense of contracting with a third party entity to apply the model and to establish a data-sharing platform to provide the third party entity with Medicaid claims information. The OLS is not able to quantify these expenses but assumes that the aggregate State impact would result in an annual net cost savings. Further, to the extent that eligible State Medicaid expenditures are matched by federal Medicaid funds, State Medicaid revenues may also decrease under this bill.

The duration of the bill's fiscal impact on the State's costs and revenue is unknown, as the bill does not indicate the term of the required contract or under what circumstances the contract will be renewed or discontinued.

Section:	*Human Services*
Analyst:	*Sarah M. Schmidt* *Senior Research Analyst*
Approved:	*Thomas Koenig* *Assistant Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

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