

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1423

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: OCTOBER 25, 2021

SUMMARY

- Synopsis:** Requires carriers to pass prescription drug savings to consumers.
- Type of Impact:** Annual impact on State and local government expenditures.
- Agencies Affected:** Division of Pensions and Benefits, Department of the Treasury; local government entities

Office of Legislative Services Estimate

Fiscal Impact	Year 1	Year 2	Year 3
State Cost Impact	May or may not increase or decrease healthcare premiums for SHBP		
Local Cost Impact	May or may not increase or decrease healthcare premiums for SHBP-local and SEHBP		

- The Office of Legislative Services (OLS) determines that the fiscal impact of the bill depends on the terms and conditions negotiated for “compensation” in the contracts between the State, which is a self-insured employer, and the health insurance carriers, and the pharmacy benefits manager, and how the provisions in the bill would interact with and change how “compensation” is shared among the interested parties, including the State and local government employers, the health insurance carriers, the pharmacy benefits managers and ultimately participants of the State Health Benefits Program and School Employees’ Health Benefits Program through copays.
- Prescription drug rebates serve to reduce premiums as evidenced by information in the annual Rate Renewal Reports. How other items of compensation are shared is not disclosed in other public documents.
- Without information from the Administration, the effects of this bill cannot be determined.

BILL DESCRIPTION

This bill requires carriers to pass prescription drug savings on to consumers. The bill provides that all compensation paid by a pharmaceutical manufacturer to a pharmaceutical benefits manager as a result of negotiations of a reduced price for a pharmaceutical between a pharmacy benefits manager and a manufacturer, in relation to a contract between a pharmacy benefits manager and a carrier related to its insured prescription drug benefits, must be remitted to and retained by the carrier and must be used by the carrier to lower the premium for covered persons under the carrier's health benefits plan or to allow for remittance directly to the covered person at the point of sale to reduce the insured's out of pocket costs.

In addition, the bill provides that a carrier must annually file with the commissioner a report demonstrating how the carrier has complied with the provisions of the bill.

Under the bill, "compensation" is defined as any direct or indirect financial benefit, but shall not include any performance compensation agreement paid by a manufacturer, developer or labeler.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS determines that this bill may or may not increase or decrease healthcare premiums for healthcare plans offered by the State Health Benefits Program and the School Employees' Health Benefits Program. The fiscal impact of the bill depends on the terms and conditions negotiated for "compensation" in the contracts between the State, which is a self-insured employer, and the health insurance carriers and the pharmacy benefits manager, and how the provisions in the bill would interact with and change how compensation is shared among the interested parties, including the State and local government employers, the health insurance carriers, the pharmacy benefits managers and ultimately participants of the State Health Benefits Program and School Employees' Health Benefits Program through copays.

Currently the State negotiates to optimize pharmacy benefits manager savings in order to reduce premiums and keep prescription drug copays low. This is evidenced in the reduction of prescription drug costs by prescription drug rebates in the annual Rate Renewal Reports. How "compensation" other than rebates is shared is not disclosed in any other public documents. Without contract information from the Executive Branch regarding how items of "compensation" such as discounts, credits, fees, grants, charge-backs, or other payments or benefits of any kind are shared or not shared among the interested parties, the OLS cannot determine whether this bill will serve to increase or decrease healthcare premiums and ultimately State General Fund and local government expenditures.

Section: State Government

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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.).