

SENATE, No. 1423

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 13, 2020

Sponsored by:

Senator TROY SINGLETON

District 7 (Burlington)

Senator NELLIE POU

District 35 (Bergen and Passaic)

SYNOPSIS

Requires carriers to pass prescription drug savings to consumers.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning pharmacy benefits managers and amending and
2 supplementing P.L.2015, c.179.

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4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

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7 1. Section 1 of P.L.2015, c.179 (C.17B:27F-1) is amended to
8 read as follows:

9 1. As used in this act:

10 "Carrier" means an insurance company, health service
11 corporation, hospital service corporation, medical service
12 corporation, or health maintenance organization authorized to issue
13 health benefits plans in this State.

14 "Contracted pharmacy" means a pharmacy that participates in the
15 network of a pharmacy benefits manager through a contract with:

- 16 a. the pharmacy benefits manager directly;
17 b. a pharmacy services administration organization; or
18 c. a pharmacy group purchasing organization.

19 "Covered person" means a person on whose behalf a carrier or
20 other entity, who is the sponsor of the health benefits plan, is
21 obligated to pay benefits pursuant to a health benefits plan.

22 "Drug" means a drug or device as defined in R.S.24:1-1.

23 "Health benefits plan" means a benefits plan which pays hospital
24 or medical expense benefits for covered services, or prescription
25 drug benefits for covered services, and is delivered or issued for
26 delivery in this State by or through a carrier or any other sponsor.
27 For the purposes of this act, health benefits plan shall not include
28 the following plans, policies or contracts: accident only, credit
29 disability, long-term care, Medicare supplement coverage;
30 TRICARE supplement coverage, coverage for Medicare services
31 pursuant to a contract with the United States government, the State
32 Medicaid program established pursuant to P.L.1968, c.413
33 (C.30:4D-1 et seq.), coverage arising out of a worker's
34 compensation or similar law, the State Health Benefits Program, the
35 School Employees' Health Benefits Program, or a self-insured
36 health benefits plan governed by the provisions of the federal
37 "Employee Retirement Income Security Act of 1974," 29 U.S.C.
38 s.1001 et seq., coverage under a policy of private passenger
39 automobile insurance issued pursuant to P.L.1972, c.70 (C.39:6A-1
40 et seq.), or hospital confinement indemnity coverage.

41 "Pharmacy" means any place in the State where drugs are
42 dispensed or pharmaceutical care is provided by a licensed
43 pharmacist, but shall not include a medical office under the control
44 of a licensed physician.

**EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is
not enacted and is intended to be omitted in the law.**

Matter underlined thus is new matter.

1 "Pharmacy benefits manager" means a corporation, business, or
2 other entity, or unit within a corporation, business, or other entity,
3 that administers prescription drug benefits on behalf of a purchaser.

4 "Pharmacy benefits management services" means the provision
5 of any of the following services on behalf of a purchaser: the
6 procurement of prescription drugs at a negotiated rate for
7 dispensation within this State; the processing of prescription drug
8 claims; or the administration of payments related to prescription
9 drug claims.

10 "Prescription" means a prescription as defined in section 5 of
11 P.L.1977, c.240 (C.24:6E-4).

12 "Prescription drug benefits" means the benefits provided for
13 prescription drugs and pharmacy services for covered services
14 under a health benefits plan contract.

15 "Purchaser" means any sponsor of a health benefits plan who
16 enters into an agreement with a pharmacy benefits management
17 company for the provision of pharmacy benefits management
18 services to covered persons.

19 "Compensation" means any direct or indirect financial benefit,
20 including, but not limited to, rebates, discounts, credits, fees, grants,
21 charge-backs, or other payments or benefits of any kind.

22 "Pharmaceutical manufacturer" or "manufacturer" means any
23 entity that: (1) is engaged in the production, preparation,
24 propagation, compounding, conversion, or processing of
25 prescription drugs or biologics, by extraction from substances of
26 natural origin or independently by means of chemical synthesis; or
27 (2) is directly engaged in the packaging, repackaging, labeling,
28 relabeling, or distribution of prescription drugs or biologics.
29 "Pharmaceutical manufacturer" or "manufacturer" does not include
30 a health care facility licensed by the Department of Health or a
31 pharmacy holding a permit issued by the New Jersey State Board of
32 Pharmacy.

33 (cf: P.L.2019, c.274, s.2)

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35 2. (New section) a. All compensation paid by a pharmaceutical
36 manufacturer to a pharmacy benefits manager as a result of
37 negotiations of a reduced price for a pharmaceutical between a
38 pharmacy benefits manager and a manufacturer, in relation to a
39 contract between a pharmacy benefits manager and a carrier related
40 to its prescription drug benefits, shall be remitted to and retained by
41 the carrier and shall be used by the carrier to lower the premium for
42 covered persons under the carrier's health benefits plan.

43 b. A carrier shall annually file with the commissioner a report
44 demonstrating how the carrier has complied with this section.

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46 3. This act shall take effect on the first day of the seventh
47 month next following enactment, except the commissioner may take

1 any anticipatory administrative action in advance as shall be
2 necessary for the implementation of this act.

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STATEMENT

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7 This bill requires carriers to pass prescription drug savings on to
8 consumers. The bill provides that all compensation paid by a
9 pharmaceutical manufacturer to a pharmaceutical benefits manager
10 as a result of negotiations of a reduced price for a pharmaceutical
11 between a pharmacy benefits manager and a manufacturer, in
12 relation to a contract between a pharmacy benefits manager and a
13 carrier related to its prescription drug benefits, shall be remitted to
14 and retained by the carrier and must be used by the carrier to lower
15 the premium for covered persons under the carrier's health benefits
16 plan.

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

20 Under the bill, "compensation" is defined as any direct or
21 indirect financial benefit, including, but not limited to, rebates,
22 discounts, credits, fees, grants, charge-backs, or other payments or
23 benefits of any kind.