

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1423

with committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 8, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1423 (1R), with committee amendments.

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, would be remitted to and retained by the carrier. Thereafter, the carrier would be required to use these amounts to lower the premium for covered persons under the carrier's health benefits plan or to allow for remittance directly to the covered person's at the point of sale to reduce the insured's out of pocket costs.

In addition, the bill requires each carrier to annually file a report, with the commissioner, 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 excludes any performance compensation agreement paid by a manufacturer, developer, or labeler.

COMMITTEE AMENDMENTS:

The committee amendments provide technical changes to the bill, including rearranging the new definitions for "compensation" and "pharmaceutical manufacturer" into alphabetical order. The committee amendments also remove language that conditioned the applicability of the bill to plans issued or renewed after January 1 of the next calendar year following the effective date of the bill.

FISCAL IMPACT:

The Office of Legislative Services 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.