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RH/CL

P.L. 2021, CHAPTER 151, *approved July 2, 2021*
Senate Committee Substitute (*First Reprint*) for
Senate, No. 887

1 AN ACT concerning prescription drug services provided under the
2 Medicaid program and supplementing Title 30 of the Revised
3 Statutes.

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

7
8 ¹**[1.** This act shall be known and may be cited as the “Medicaid
9 Prescription Drug Quality, Cost, and Transparency Act.”**]**¹

10
11 ¹**[2.** The Legislature finds and declares:

12 a. The State has a continuing responsibility to ensure that funds
13 expended under the Medicaid program are used appropriately and
14 efficiently to promote the public health;

15 b. Opportunities exist for improved health outcomes and
16 increased efficiencies in the provision of prescription drug services
17 in the Medicaid program.

18 c. Other states and the federal government have utilized
19 varying strategies such as consolidated benefit purchasing,
20 increased transparency, and enhanced medication therapy
21 management programs to increase cost-efficiency, improve
22 medication safety, and improve overall health outcomes in the
23 provision of prescription drug services.

24 d. As prescription drug prices continue to rise, the State must
25 employ innovative policy initiatives that help cover the costs of
26 Medicaid services and prevent harmful benefit reductions for
27 Medicaid recipients; and

28 e. It is therefore in the best interests of the State to undertake
29 steps to foster safety and quality, efficient purchasing, and
30 increased transparency in prescription drug benefits under the
31 Medicaid program in order to realize cost savings to the State and
32 improve health outcomes for Medicaid recipients in the State.**]**¹

33
34 ¹**[3.]** 1.¹ The Division of Medical Assistance and Health
35 Services in the Department of Human Services shall contract with a
36 third party entity to apply a risk reduction model to prescription
37 drug services provided under the Medicaid program established
38 pursuant to P.L.1968, c.413 (C.30:4D-1 et seq.), for the purpose of
39 identifying and reducing simultaneous, multi-drug medication-
40 related risk and adverse drug events, enhancing compliance and

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SBA committee amendments adopted January 21, 2021.

1 quality of care, and improving health-related outcomes while
2 reducing total cost of care in a measurable and reportable manner.
3 In carrying out this purpose, the model, at a minimum, shall
4 leverage Medicaid prescription drug claims data, pharmacokinetic
5 and pharmacodynamic sciences, appropriate technologies, clinical
6 call centers located in New Jersey and staffed by board-certified
7 pharmacists licensed pursuant to P.L.2003, c.280 (C.45:14-40 et
8 seq.), and include coordination of services with a network of local
9 community pharmacies located throughout the State. For the
10 duration of the contract, the division shall share the medical and
11 pharmacy claims data for all Medicaid beneficiaries with the third
12 party administering the model for the purposes of effectuating the
13 model, which claims data shall include historical data.
14

15 ¹4. No later than 60 days after the effective date of this act, the
16 Department of the Treasury shall prepare and issue a report that
17 includes a determination of the most cost-effective way to:
18 administer prescription drug services provided under the Medicaid
19 program through one entity; and procure prescription drug services
20 provided by the single entity. The report shall include, but shall not
21 be limited to, a determination as to whether the services shall be
22 administered using a fee-for-service model and whether the services
23 shall be administered directly by the State via the State Fiscal Agent
24 or via a single pharmacy benefits manager. ¹
25

26 ¹5. a. The Department of the Treasury shall, based on the
27 findings of the report produced by the department pursuant to
28 section 4 of this act, issue a request for proposals for a single entity
29 to administer the prescription drug services provided under the
30 Medicaid program. The department shall award a contract for a
31 single entity to administer prescription drug benefits under the
32 Medicaid program no later than July 1, 2021. The request for
33 proposals and any contract awarded based on that request for
34 proposals shall require the selected entity to disclose the following
35 information, at a minimum and as appropriate, to the Department of
36 Human Services:

37 (1) all sources and amounts of income, payments, and financial
38 benefits received by the entity in relation to the provision and
39 administration of prescription drug services on behalf of the State,
40 including, but not limited to, any pricing discounts, rebates of any
41 kind, inflationary payments, credits, clawbacks, fees, grants,
42 chargebacks, reimbursements, or other benefits;

43 (2) all ingredient costs and dispensing fees or similar payments
44 made by the entity to any pharmacy in connection with the contract
45 or other arrangement;

46 (3) the entity's payment model for administrative fees; and

1 (4) any differences between the amount paid by the entity to a
2 pharmacy for each prescription drug dispensed and the amount
3 charged to the Medicaid program for that prescription drug.

4 b. A contract entered into pursuant to a request for proposals
5 issued pursuant to subsection a. of this section shall specify the
6 detail, methodology, time and manner of the disclosures required of
7 the entity under subsection a. of this section. All disclosures shall
8 be subject to audit and penalties for willful failure to disclose.

9 c. Information disclosed by an entity pursuant to subsection a. of
10 this section shall be confidential and not be subject to public
11 disclosure under P.L.1963, c.73 (C.47:1A-1 et seq.) or P.L.2001,
12 c.404 (C.47:1A-5 et al.). In addition to any other penalty provided
13 by law, a person who is authorized to access information submitted
14 pursuant to subsection a. of this section who knowingly discloses
15 such information to any person or entity who is not authorized to
16 access the information shall be guilty of a crime of the fourth
17 degree and shall be subject to a civil penalty in an amount not to
18 exceed \$10,000. A civil penalty imposed under this subsection
19 shall be collected by the Commissioner of Health in summary
20 proceedings before a court of competent jurisdiction pursuant to the
21 "Penalty Enforcement Law of 1999," P.L.1999, c.274 (C.2A:58-10
22 et seq.).

23 d. The entity administering Medicaid prescription drug services
24 for the State shall negotiate supplemental rebates above the
25 mandatory federal minimum with drug manufacturers, which may
26 include, as appropriate, entering into multi-state coalitions for
27 negotiation purposes and establishing a preferred drug list, in order
28 to maximize cost savings under the Medicaid program. **1**¹

29
30 **1**¹[6. The Commissioner of Human Services shall apply for such
31 State plan amendments or waivers as may be necessary to
32 implement the provisions of this act and to secure federal financial
33 participation for State Medicaid expenditures under the federal
34 Medicaid program. **1**¹

35
36 **1**¹[7. The Commissioner of Human Services shall adopt rules and
37 regulations pursuant to the "Administrative Procedure Act,"
38 P.L.1968, c.410 (C.52:14B-1 et seq.), to effectuate the purposes of
39 this act. **1**¹

40
41 **1**¹[8.] 2.¹ This act shall take effect immediately.

42
43
44
45
46 Requires DHS to contract with third party entity to apply risk
47 reduction model to Medicaid prescription drug services.

CHAPTER 151

AN ACT concerning prescription drug services provided under the Medicaid program and supplementing Title 30 of the Revised Statutes.

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

C.30:4D-7dd Risk reduction model to prescription drug services, third party contract.

1. The Division of Medical Assistance and Health Services in the Department of Human Services shall contract with a third party entity to apply a risk reduction model to prescription drug services provided under the Medicaid program established pursuant to P.L.1968, c.413 (C.30:4D-1 et seq.), 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. In carrying out this purpose, the model, at a minimum, shall 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 licensed pursuant to P.L.2003, c.280 (C.45:14-40 et seq.), and include coordination of services with a network of local community pharmacies located throughout the State. For the duration of the contract, the division shall share the medical and pharmacy claims data for all Medicaid beneficiaries with the third party administering the model for the purposes of effectuating the model, which claims data shall include historical data.

2. This act shall take effect immediately.

Approved July 2, 2021.

SENATE, No. 887

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED JANUARY 27, 2020

Sponsored by:

Senator STEPHEN M. SWEENEY

District 3 (Cumberland, Gloucester and Salem)

Senator LINDA R. GREENSTEIN

District 14 (Mercer and Middlesex)

Co-Sponsored by:

Senator Gopal

SYNOPSIS

Requires DHS to transition Medicaid prescription drug services from managed care to fee-for-service; provides for procurement by State of pharmacy benefits manager to administer Medicaid fee-for-service prescription drug services.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 2/24/2020)

1 AN ACT concerning prescription drug services provided under the
2 Medicaid program and supplementing Title 30 of the Revised
3 Statutes.

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

7
8 1. The Legislature finds and declares:

9 a. The State has a continuing responsibility to ensure that funds
10 expended under the Medicaid program are used appropriately and
11 efficiently to promote the public health;

12 b. Currently, prescription drug services provided under the
13 Medicaid program are delivered via managed care organizations
14 (MCOs) who contract with the Division of Medical Assistance and
15 Health Services in the Department of Human Services to provide
16 those Medicaid benefits at a fixed annual fee per patient;

17 c. Under the State's current delivery model, each MCO contracts
18 with a pharmacy benefits manager (PBM) to administer the
19 prescription drug benefit;

20 d. Experience in other states, however, has demonstrated that
21 transitioning this benefit to a fee-for-service (FFS) delivery system,
22 in which the state reimburses pharmacies directly, potentially via a
23 single PBM, generates significant prescription drug savings due to
24 lower overall spending and a reduction in program administration
25 costs;

26 e. For example, the West Virginia Medicaid Agency realized a
27 savings of \$54.4 million in the first year of such a transition;

28 f. Such savings has the potential to grow with the
29 implementation of a reverse auction for the State's PBM contract to
30 administer the FFS Medicaid prescription drug benefit, similar to the
31 reduced costs of prescription drugs achieved within the State Health
32 Benefits Program and School Employees' Health Benefits Program
33 through the PBM reverse auction conducted in 2017; and

34 g. As prescription drug prices continue to rise, the State must
35 employ innovative policy initiatives that help cover the costs of
36 Medicaid services and prevent harmful benefit reductions for
37 Medicaid recipients; and

38 h. Therefore, it is in the best interest of the State to transition
39 Medicaid prescription drug services from a managed care to a FFS
40 delivery system and to procure the most cost-effective PBM to
41 administer such benefits.

42
43 2. a. The Division of Medical Assistance and Health Services in
44 the Department of Human Services shall take all necessary actions to
45 transition the prescription drug services provided under the Medicaid
46 program, established pursuant to P.L.1968, c.413 (C.30:4D-1 et
47 seq.), via a managed care delivery system to a fee-for-service
48 delivery system by December 31, 2020. This section shall not apply

1 to the provision of prescription drug benefits under section 340B of
2 the federal Public Health Service Act (42 U.S.C. s.2566).

3 b. Beginning January 1, 2021, the division shall provide all
4 prescription drug services under the Medicaid program, except those
5 benefits exempt pursuant to subsection a. of this section, via a fee-
6 for-service delivery system.

7
8 3. The Commissioner of Human Services shall apply for such
9 State plan amendments or waivers as may be necessary to implement
10 the provisions of this act and to secure federal financial participation
11 for State Medicaid expenditures under the federal Medicaid program.

12
13 4. The Commissioner of Human Services shall adopt rules and
14 regulations pursuant to the "Administrative Procedure Act,"
15 P.L.1968, c.410 (C.52:14B-1 et seq.), to effectuate the purposes of
16 this act.

17
18 5. a. Notwithstanding the provisions of any other law to the
19 contrary, the Division of Purchase and Property in the Department of
20 the Treasury shall conduct a reverse auction for the purposes of
21 awarding a contract to a Pharmacy Benefits Manager (PBM) to
22 administer the prescription drug services provided under fee-for-
23 service delivery system of the Medicaid program, established
24 pursuant to P.L.1968, c.413 (C.30:4D-1 et seq.). To effectuate the
25 purpose of this subsection, the division shall procure from qualified
26 vendors the following services based upon price and other factors:

27 (1) a technology platform required to conduct a reverse auction
28 and any related professional services through an expedited
29 procurement process, as provided in subsection b. and subsection c.
30 of this section, no later than July 1, 2020. The contract for such
31 services shall not be awarded to a vendor that is a PBM, is a
32 subsidiary or affiliate of a PBM, is managed by a PBM, or receives
33 remuneration from a PBM for aggregating clients into a contractual
34 relationship with a PBM. The vendor may not outsource any part of
35 the reverse auction or the automated, real-time, electronic, line-by-
36 line, review of PBM prescription drug reimbursements.

37 The technology platform shall, at a minimum, possess the ability
38 to:

39 (i) conduct an automated, online, reverse auction of PBM
40 services;

41 (ii) automate re-pricing of PBM proposals for Medicaid
42 prescription drug spending using Medicaid claims data and other
43 nationally-accepted data sources, as determined by the
44 Commissioner of Human Services, for comparisons of the costs of
45 PBM proposals;

46 (iii) produce an automated report and analysis of PBM bids,
47 including the ranking of bids, based on the comparative costs and

1 qualitative aspects thereof, within a 48-hour time period following
2 close of each round of reverse auction bidding;

3 (iv) perform real-time, electronic, line-by-line, review of PBM
4 Medicaid prescription drug reimbursements using an automated
5 technology platform that allows for online comparison of PBM
6 reimbursements and auditing of other aspects of the services
7 provided by the PBM; and

8 (v) conform to pricing restrictions of federal and State
9 government.

10 Related professional services shall include, at a minimum,
11 technical assistance to the State to evaluate the qualifications of
12 bidders on a PBM procurement, to provide online automated reverse
13 auction services to support the Department of the Treasury in
14 comparing the pricing for the PBM procurement, and any other
15 services deemed necessary by the Department of Treasury; and

16 (2) a PBM and related services via a reverse auction process
17 through the expedited procurement process, as provided in
18 subsection b. and subsection c. of this section, no later than January
19 1, 2021.

20 b. Except as otherwise provided in subsection c. of this section,
21 the division shall procure the services outlined in subsection a. of this
22 section without the need for formal advertisement, but through the
23 solicitation of proposals from professional services vendors.

24 c. Notwithstanding the provisions of any other law to the
25 contrary, for the purpose of expediting the procurements required
26 pursuant to subsection a. of this section, the following provisions
27 shall apply as modifications to law or regulation that may interfere
28 with the expedited award of the outlined services:

29 (1) the timeframes for challenging the specifications shall be
30 modified as determined by the division;

31 (2) in lieu of advertising in accordance with sections 2, 3, and 4
32 of P.L.1954, c.48 (C.52:34-7, C.52:34-8, and C.52:34-9), the division
33 shall advertise the request for proposals for the above services and
34 any addenda thereto on the division's website;

35 (3) the period of time that the State Comptroller has to review the
36 request for proposals for these professional services procurements for
37 compliance with applicable public contracting laws, rules and
38 regulations, pursuant to section 10 of P.L.2007, c.52 28 (C.52:15C-
39 10), shall be 10 business days or less if practicable, as determined by
40 the State Comptroller;

41 (4) the timeframes for submission under section 4 of P.L.2012,
42 c.25 (C.52:32-58) and section 1 of P.L.1977, c.33 (C.52:25-24.2)
43 shall be extended to prior to the issuance of a Notice of Intent to
44 Award;

45 (5) the provisions of section 1 of P.L.2005, c.92 (C.52:34-13.2)
46 shall not apply to technical and support services, under this section,
47 provided by a vendor using a "24/7 follow-the-sun model" as long as

1 the contractor is able to provide such services in the United States
2 during the business day; and

3 (6) the term “bids” in subparagraph (f) of subsection a. of section
4 7 of P.L.1954, c.48 (C.52:34-12) shall not include pricing which will
5 be revealed to all responsive bidders during the negotiation process.

6 d. The division may, to the extent necessary, waive or modify
7 any other law or regulation that may interfere with the expeditious
8 procurement of these services.

9 e. For the purposes of this section:

10 “Reverse auction” means an automated bidding process conducted
11 online that starts with an opening price and allows qualified bidders
12 to counter offer a lower price, for as many rounds of bidding as
13 determined by the division.

14 “Price” means the projected cost of a PBM bid for administering
15 prescription drug services provided under the Medicaid program
16 based on automated re-pricing of PBM bids for purposes of
17 comparison of PBM proposal costs to the State over the duration of
18 the contract.

19

20 6. This act shall take effect immediately.

21

22

23

STATEMENT

24

25 The bill requires the Department of Human Services (DHS) to
26 transition Medicaid prescription drug services from a managed care
27 to a fee-for-service (FFS) delivery system, and provides for the
28 procurement by the State of a pharmacy benefits manager (PBM) to
29 administer those FFS Medicaid benefits. As defined by the bill,
30 “reverse auction” means an automated bidding process conducted
31 online that starts with an opening price and allows qualified bidders
32 to counter offer a lower price, for as many rounds of bidding as
33 determined by the Division of Purchase and Property in the
34 Department of the Treasury.

35 The transition to a FFS delivery system is expected to generate
36 significant prescription drug savings under the Medicaid program
37 due to lower overall spending and a reduction in program
38 administration costs. West Virginia’s Medicaid agency implemented
39 a similar transition in July 2017, anticipating a \$30 million savings
40 for the state. In March 2019, the West Virginia Bureau for Medical
41 Services released a report showing actual savings of \$54.4 million to
42 the state Medicaid program for the first year of the carve-out. It is
43 further anticipated that the implementation of a reverse auction from
44 the PBM contract will save additional public funds, similar to the
45 reduced costs of prescription drugs achieved within the State Health
46 Benefits Program and School Employees’ Health Benefits Program
47 through the PBM reverse auction conducted in 2017.

1 Specifically, under the bill, the Division of Medical Assistance
2 and Health Services in the DHS is required to take all necessary
3 actions to transition all prescription drug services provided under the
4 Medicaid program via a managed care delivery system to a fee-for-
5 service delivery system by December 31, 2020. This bill explicitly
6 states that this transition does not apply to the provision of
7 prescription drug benefits under section 340B of the federal Public
8 Health Service Act (42 U.S.C. s.2566). Beginning January 1, 2021,
9 the division is required to provide all prescription drug services under
10 the Medicaid program, except those benefits exempt as identified
11 above, via a fee-for-service delivery system

12 Furthermore, notwithstanding the provisions of any other law to
13 the contrary, the Division of Purchase and Property in the
14 Department of the Treasury is required to conduct a reverse auction
15 for the purposes of awarding a contract to a Pharmacy Benefits
16 Manager (PBM) to administer the Medicaid prescription drug
17 services provided under the fee-for-service delivery system.

18 The bill directs the division to procure from qualified vendors the
19 following services based upon price and other factors:

20 (1) a technology platform required to conduct a reverse auction
21 and any related professional services through an expedited
22 procurement process, as outlined in the bill, no later than July 1,
23 2020. The contract for such services shall not be awarded to a vendor
24 that is a PBM, is a subsidiary or affiliate of a PBM, is managed by a
25 PBM, or receives remuneration from a PBM for aggregating clients
26 into a contractual relationship with a PBM. The vendor may not
27 outsource any part of the reverse auction or the automated, real-time,
28 electronic, line-by-line, review of PBM prescription drug
29 reimbursements.

30 The technology platform is required, at a minimum, to possess the
31 ability to: conduct an automated, online, reverse auction of PBM
32 services; automate re-pricing of PBM proposals for Medicaid
33 prescription drug spending using Medicaid claims data and other
34 nationally-accepted data sources, as determined by the
35 Commissioner of Human Services, for comparisons of the costs of
36 PBM proposals; produce an automated report and analysis of PBM
37 bids, including the ranking of bids, based on the comparative costs
38 and qualitative aspects thereof, within a 48-hour time period
39 following close of each round of reverse auction bidding; perform
40 real-time, electronic, line-by-line, review of PBM Medicaid
41 prescription drug reimbursements using an automated technology
42 platform that allows for online comparison of PBM reimbursements
43 and auditing of other aspects of the services provided by the PBM;
44 and conform to pricing restrictions of federal and State government.

45 Any related professional services are to include, at a minimum,
46 technical assistance to the State to evaluate the qualifications of
47 bidders on a PBM procurement, to provide online automated reverse
48 auction services to support the Department of the Treasury in

1 comparing the pricing for the PBM procurement, and any other
2 services deemed necessary by the Department of Treasury; and

3 (2) a PBM and related services via a reverse auction process
4 through the expedited procurement process, as provided in
5 subsection b. and subsection c. of this section, no later than January
6 1, 2021.

7 The bill also establishes an expedited process for the procurement
8 of the services outline in the bill. For example, except as otherwise
9 provided below, the division is required to procure these services
10 without the need for formal advertisement, but through the
11 solicitation of proposals from professional services vendors.

12 In addition, notwithstanding the provisions of any other law to the
13 contrary, the bill provides for the following modifications to law or
14 regulation that may interfere with the expedited award of the outlined
15 services:

16 (1) the timeframes for challenging the specifications are to be
17 modified as determined by the division;

18 (2) in lieu of advertising in accordance with sections 2, 3, and 4
19 of P.L.1954, c.48 (C.52:34-7, C.52:34-8, and C.52:34-9), the division
20 is required to advertise the request for proposals for the above
21 services and any addenda thereto on the division's website;

22 (3) the period of time that the State Comptroller has to review the
23 request for proposals for these professional services procurements for
24 compliance with applicable public contracting laws, rules and
25 regulations, pursuant to section 10 of P.L.2007, c.52 28 (C.52:15C-
26 10), is to be 10 business days or less if practicable, as determined by
27 the State Comptroller;

28 (4) the timeframes for submission under section 4 of P.L.2012,
29 c.25 (C.52:32-58) and section 1 of P.L.1977, c.33 (C.52:25-24.2) are
30 to be extended to prior to the issuance of a Notice of Intent to Award;

31 (5) the provisions of section 1 of P.L.2005, c.92 (C.52:34-13.2)
32 are to not apply to technical and support services, under this section,
33 provided by a vendor using a "24/7 follow-the-sun model" as long as
34 the contractor is able to provide such services in the United States
35 during the business day; and

36 (6) the term "bids" in subparagraph (f) of subsection a. of section
37 7 of P.L.1954, c.48 (C.52:34-12) is to not include pricing which will
38 be revealed to all responsive bidders during the negotiation process.

39 The bill further authorizes the division, to the extent necessary, to
40 waive or modify any other law or regulation that may interfere with
41 the expeditious procurement of these services.

ASSEMBLY HUMAN SERVICES COMMITTEE

STATEMENT TO

[First Reprint]

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 887

STATE OF NEW JERSEY

DATED: MARCH 17, 2021

The Assembly Human Services Committee reports favorably Senate Committee Substitute for Senate Bill No. 887 (1R).

The substitute requires the Division of Medical Assistance and Health Services in the Department of Human Services 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 for all Medicaid beneficiaries with the third party entity administering the model for the purposes of effectuating the model, which claims data will include historical data.

As reported by the committee, Senate Committee Substitute for Senate Bill No. 887 (1R) is identical to Assembly Committee Substitute for Assembly Bill No. 4790 which was also reported by the committee on this date.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 887**

STATE OF NEW JERSEY

DATED: JUNE 16, 2021

The Assembly Appropriations Committee reports favorably Senate Bill No. 887 (SCS/1R).

This bill requires the Division of Medical Assistance and Health Services in the Department of Human Services 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 for all Medicaid beneficiaries with the third party entity administering the model for the purposes of effectuating the model, which claims data will include historical data.

As reported by the committee, Senate Bill No. 887 (SCS/1R) is identical to Assembly Bill No. 4790 (ACS) which was also reported by the committee on this date.

FISCAL IMPACT:

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 exist, 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.

SENATE HEALTH, HUMAN SERVICES AND SENIOR
CITIZENS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 887

STATE OF NEW JERSEY

DATED: SEPTEMBER 14, 2020

The Senate Health, Human Services and Senior Citizens Committee reports favorably a Senate committee substitute for Senate Bill No. 887.

The substitute bill, which is designated as the “Medicaid Prescription Drug Quality, Cost, and Transparency Act,” requires the Division of Medical Assistance and Health Services in the Department of Human Services (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 for all Medicaid beneficiaries with the third party entity administering the model for the purposes of effectuating the model, which claims data will include historical data.

No later than 60 days after of the effective date of the bill, the Department of the Treasury will be required to prepare and issue a report that includes a determination of the most cost-effective way to administer prescription drug services provided under the Medicaid program through a single entity and procure prescription drug services provided by a single entity. The report will include, but not be limited to, a determination as to whether the services should be administered using a fee-for-service model and whether the services should be administered directly by the State via the State Fiscal Agent or via a single pharmacy benefits manager.

The Department of the Treasury will, based on the findings of the report, issue a request for proposals for a single entity to administer the prescription drug services provided under the Medicaid program. The

department will be required to award a contract for a single entity to administer prescription drug benefits under the Medicaid program no later than July 1, 2021. The request for proposals and any contract awarded based on that request for proposals are to require the selected entity to disclose certain information to the DHS:

(1) all sources and amounts of income, payments, and financial benefits received by the entity in relation to the provision and administration of prescription drug services on behalf of the State, including, but not limited to, any pricing discounts, rebates of any kind, inflationary payments, credits, clawbacks, fees, grants, chargebacks, reimbursements, or other benefits;

(2) all ingredient costs and dispensing fees or similar payments made by the entity to any pharmacy in connection with the contract or other arrangement;

(3) the entity's payment model for administrative fees; and

(4) any differences between the amount paid by the entity to a pharmacy for each prescription drug dispensed and the amount charged to the Medicaid program for that prescription drug.

The contract is to specify the detail, methodology, time and manner of these disclosures, which will be subject to audit and penalties for willful failure to disclose. Information disclosed by the entity will be confidential and will not be subject to the State's open public records laws. In addition to any other penalty provided by law, a person who is authorized to access information disclosed under the bill who knowingly provides the information to any person or entity who is not authorized to access the information will be guilty of a crime of the fourth degree and will be subject to a civil penalty in an amount not to exceed \$10,000. A crime of the fourth degree is punishable by imprisonment for up to 18 months, a \$10,000 fine, or both.

In addition, the entity administering Medicaid prescription drug services for the State will be required to negotiate supplemental rebates above the mandatory federal minimum with drug manufacturers, which may include, as appropriate, entering into multi-state coalitions for negotiation purposes and establishing a preferred drug list, in order to maximize cost savings under the Medicaid program.

The Commissioner of Human Services will apply for such State plan amendments or waivers as may be necessary to implement the provisions of this bill and to secure federal financial participation for State Medicaid expenditures under the federal Medicaid program.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 887**

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 21, 2021

The Senate Budget and Appropriations Committee reports favorably a Senate Bill No. 887 (SCS), with committee amendments.

The bill, as amended, requires the Division of Medical Assistance and Health Services in the Department of Human Services 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 for all Medicaid beneficiaries with the third party entity administering the model for the purposes of effectuating the model, which claims data will include historical data.

COMMITTEE AMENDMENTS

The committee amendments eliminate the bill's formal title and a findings and declarations section.

The committee amendments remove provisions of the bill establishing requirements for a single entity to administer prescription drug benefits under the Medicaid program. These removed provisions include requiring the Department of Treasury to prepare and issue a report that determines the most cost effective way to administer and procure prescription drug services utilizing a single entity and, based upon the report, to issue a request for proposals for a single entity to administer those services. The amended bill also removes provisions requiring the Commissioner of Human Services to apply for any necessary federal approvals for a single entity to administer the prescription drug benefits.

The committee amendments update the bill's synopsis to reflect the above changes.

FISCAL IMPACT:

The Office of Legislative Services estimates that the Department of Human Services will incur indeterminate annual expenditure increases to contract with a third party to apply a risk reduction model to prescription drug services provided under the Medicaid program. The department may also experience indeterminate annual cost savings in Medicaid pharmacy benefit expenses from application of the model. Pharmacy benefits under the Medicaid program are administered by managed care organizations (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. To the extent overlap does exist, the annual cost savings will decrease. Further, to the extent that State Medicaid expenditures are matched by federal Medicaid funds, annual State Medicaid revenues may also decrease under this bill by an indeterminate amount.

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 exist, 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 exist, 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.).

ASSEMBLY, No. 4790

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED OCTOBER 8, 2020

Sponsored by:

Assemblywoman JOANN DOWNEY

District 11 (Monmouth)

Assemblyman DANIEL R. BENSON

District 14 (Mercer and Middlesex)

SYNOPSIS

“Medicaid Prescription Drug Quality, Cost, and Transparency Act”; establishes requirements for single entity to administer prescription drug benefits under Medicaid program.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning prescription drug services provided under the
2 Medicaid program and supplementing Title 30 of the Revised
3 Statutes.

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

7
8 1. This act shall be known and may be cited as the “Medicaid
9 Prescription Drug Quality, Cost, and Transparency Act.”

10
11 2. The Legislature finds and declares:

12 a. The State has a continuing responsibility to ensure that funds
13 expended under the Medicaid program are used appropriately and
14 efficiently to promote the public health;

15 b. Opportunities exist for improved health outcomes and
16 increased efficiencies in the provision of prescription drug services
17 in the Medicaid program.

18 c. Other states and the federal government have utilized
19 varying strategies such as consolidated benefit purchasing,
20 increased transparency, and enhanced medication therapy
21 management programs to increase cost-efficiency, improve
22 medication safety, and improve overall health outcomes in the
23 provision of prescription drug services.

24 d. As prescription drug prices continue to rise, the State must
25 employ innovative policy initiatives that help cover the costs of
26 Medicaid services and prevent harmful benefit reductions for
27 Medicaid recipients; and

28 e. It is therefore in the best interests of the State to undertake
29 steps to foster safety and quality, efficient purchasing, and
30 increased transparency in prescription drug benefits under the
31 Medicaid program in order to realize cost savings to the State and
32 improve health outcomes for Medicaid recipients in the State.

33
34 3. The Division of Medical Assistance and Health Services in
35 the Department of Human Services shall contract with a third party
36 entity to apply a risk reduction model to prescription drug services
37 provided under the Medicaid program established pursuant to
38 P.L.1968, c.413 (C.30:4D-1 et seq.), for the purpose of identifying
39 and reducing simultaneous, multi-drug medication-related risk and
40 adverse drug events, enhancing compliance and quality of care, and
41 improving health-related outcomes while reducing total cost of care
42 in a measurable and reportable manner. In carrying out this
43 purpose, the model, at a minimum, shall leverage Medicaid
44 prescription drug claims data, pharmacokinetic and
45 pharmacodynamic sciences, appropriate technologies, clinical call
46 centers located in New Jersey and staffed by board-certified
47 pharmacists licensed pursuant to P.L.2003, c.280 (C.45:14-40 et
48 seq.), and include coordination of services with a network of local

1 community pharmacies located throughout the State. For the
2 duration of the contract, the division shall share the medical and
3 pharmacy claims data for all Medicaid beneficiaries with the third
4 party administering the model for the purposes of effectuating the
5 model, which claims data shall include historical data.
6

7 4. No later than 60 days after the effective date of this act, the
8 Department of the Treasury shall prepare and issue a report that
9 includes a determination of the most cost-effective way to:
10 administer prescription drug services provided under the Medicaid
11 program through one entity; and procure prescription drug services
12 provided by the single entity. The report shall include, but shall not
13 be limited to, a determination as to whether the services shall be
14 administered using a fee-for-service model and whether the services
15 shall be administered directly by the State via the State Fiscal Agent
16 or via a single pharmacy benefits manager.
17

18 5. a. The Department of the Treasury shall, based on the
19 findings of the report produced by the department pursuant to
20 section 4 of this act, issue a request for proposals for a single entity
21 to administer the prescription drug services provided under the
22 Medicaid program. The department shall award a contract for a
23 single entity to administer prescription drug benefits under the
24 Medicaid program no later than July 1, 2021. The request for
25 proposals and any contract awarded based on that request for
26 proposals shall require the selected entity to disclose the following
27 information, at a minimum and as appropriate, to the Department of
28 Human Services:

29 (1) all sources and amounts of income, payments, and financial
30 benefits received by the entity in relation to the provision and
31 administration of prescription drug services on behalf of the State,
32 including, but not limited to, any pricing discounts, rebates of any
33 kind, inflationary payments, credits, clawbacks, fees, grants,
34 chargebacks, reimbursements, or other benefits;

35 (2) all ingredient costs and dispensing fees or similar payments
36 made by the entity to any pharmacy in connection with the contract
37 or other arrangement;

38 (3) the entity's payment model for administrative fees; and

39 (4) any differences between the amount paid by the entity to a
40 pharmacy for each prescription drug dispensed and the amount
41 charged to the Medicaid program for that prescription drug.

42 b. A contract entered into pursuant to a request for proposals
43 issued pursuant to subsection a. of this section shall specify the
44 detail, methodology, time and manner of the disclosures required of
45 the entity under subsection a. of this section. All disclosures shall
46 be subject to audit and penalties for willful failure to disclose.

47 c. Information disclosed by an entity pursuant to subsection a.
48 of this section shall be confidential and not be subject to public

1 disclosure under P.L.1963, c.73 (C.47:1A-1 et seq.) or P.L.2001,
2 c.404 (C.47:1A-5 et al.). In addition to any other penalty provided
3 by law, a person who is authorized to access information submitted
4 pursuant to subsection a. of this section who knowingly discloses
5 such information to any person or entity who is not authorized to
6 access the information shall be guilty of a crime of the fourth
7 degree and shall be subject to a civil penalty in an amount not to
8 exceed \$10,000. A civil penalty imposed under this subsection
9 shall be collected by the Commissioner of Health in summary
10 proceedings before a court of competent jurisdiction pursuant to the
11 "Penalty Enforcement Law of 1999," P.L.1999, c.274 (C.2A:58-10
12 et seq.).

13 d. The entity administering Medicaid prescription drug services
14 for the State shall negotiate supplemental rebates above the
15 mandatory federal minimum with drug manufacturers, which may
16 include, as appropriate, entering into multi-state coalitions for
17 negotiation purposes and establishing a preferred drug list, in order
18 to maximize cost savings under the Medicaid program.
19

20 6. The Commissioner of Human Services shall apply for such
21 State plan amendments or waivers as may be necessary to
22 implement the provisions of this act and to secure federal financial
23 participation for State Medicaid expenditures under the federal
24 Medicaid program.
25

26 7. The Commissioner of Human Services shall adopt rules and
27 regulations pursuant to the "Administrative Procedure Act,"
28 P.L.1968, c.410 (C.52:14B-1 et seq.), to effectuate the purposes of
29 this act.
30

31 8. This act shall take effect immediately.
32
33

34 STATEMENT

35
36 The bill, which is designated as the "Medicaid Prescription Drug
37 Quality, Cost, and Transparency Act," requires the Division of
38 Medical Assistance and Health Services in the Department of Human
39 Services (DHS) to contract with a third party entity to apply a risk
40 reduction model to prescription drug services provided under the
41 Medicaid program for the purpose of identifying and reducing
42 simultaneous, multi-drug medication-related risk and adverse drug
43 events, enhancing compliance and quality of care, and improving
44 health-related outcomes while reducing total cost of care in a
45 measurable and reportable manner. To carry out this purpose, the
46 model will leverage Medicaid prescription drug claims data,
47 pharmacokinetic and pharmacodynamic sciences, appropriate
48 technologies, clinical call centers located in New Jersey and staffed by

1 board-certified pharmacists, and include coordination of services with
2 a network of local community pharmacies located throughout the
3 State. For the duration of the contract, the division will share the
4 medical and pharmacy claims data for all Medicaid beneficiaries with
5 the third party entity administering the model for the purposes of
6 effectuating the model, which claims data will include historical data.

7 No later than 60 days after of the effective date of the bill, the
8 Department of the Treasury will be required to prepare and issue a
9 report that includes a determination of the most cost-effective way to
10 administer prescription drug services provided under the Medicaid
11 program through a single entity and procure prescription drug services
12 provided by a single entity. The report will include, but not be limited
13 to, a determination as to whether the services should be administered
14 using a fee-for-service model and whether the services should be
15 administered directly by the State via the State Fiscal Agent or via a
16 single pharmacy benefits manager.

17 The Department of the Treasury will, based on the findings of the
18 report, issue a request for proposals for a single entity to administer the
19 prescription drug services provided under the Medicaid program. The
20 department will be required to award a contract for a single entity to
21 administer prescription drug benefits under the Medicaid program no
22 later than July 1, 2021. The request for proposals and any contract
23 awarded based on that request for proposals are to require the selected
24 entity to disclose certain information to the DHS:

25 (1) all sources and amounts of income, payments, and financial
26 benefits received by the entity in relation to the provision and
27 administration of prescription drug services on behalf of the State,
28 including, but not limited to, any pricing discounts, rebates of any
29 kind, inflationary payments, credits, clawbacks, fees, grants,
30 chargebacks, reimbursements, or other benefits;

31 (2) all ingredient costs and dispensing fees or similar payments
32 made by the entity to any pharmacy in connection with the contract or
33 other arrangement;

34 (3) the entity's payment model for administrative fees; and

35 (4) any differences between the amount paid by the entity to a
36 pharmacy for each prescription drug dispensed and the amount
37 charged to the Medicaid program for that prescription drug.

38 The contract is to specify the detail, methodology, time and
39 manner of these disclosures, which will be subject to audit and
40 penalties for willful failure to disclose. Information disclosed by the
41 entity will be confidential and will not be subject to the State's open
42 public records laws. In addition to any other penalty provided by law,
43 a person who is authorized to access information disclosed under the
44 bill who knowingly provides the information to any person or entity
45 who is not authorized to access the information will be guilty of a
46 crime of the fourth degree and will be subject to a civil penalty in an
47 amount not to exceed \$10,000. A crime of the fourth degree is

1 punishable by imprisonment for up to 18 months, a \$10,000 fine, or
2 both.

3 In addition, the entity administering Medicaid prescription drug
4 services for the State will be required to negotiate supplemental
5 rebates above the mandatory federal minimum with drug
6 manufacturers, which may include, as appropriate, entering into multi-
7 state coalitions for negotiation purposes and establishing a preferred
8 drug list, in order to maximize cost savings under the Medicaid
9 program.

10 The Commissioner of Human Services will apply for such State
11 plan amendments or waivers as may be necessary to implement the
12 provisions of this bill and to secure federal financial participation for
13 State Medicaid expenditures under the federal Medicaid program.

ASSEMBLY HUMAN SERVICES COMMITTEE

STATEMENT TO

**ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 4790**

STATE OF NEW JERSEY

DATED: MARCH 17, 2021

The Assembly Human Services Committee reports favorably an Assembly Committee Substitute for Assembly Bill No. 4790.

The substitute requires the Division of Medical Assistance and Health Services in the Department of Human Services 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 for all Medicaid beneficiaries with the third party entity administering the model for the purposes of effectuating the model, which claims data will include historical data.

As reported by the committee, Assembly Committee Substitute for Assembly Bill No. 4790 is identical to Senate Committee Substitute for Senate Bill No. 887 (1R) which was also reported by the committee on this date.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No. 4790

STATE OF NEW JERSEY

DATED: JUNE 16, 2021

The Assembly Appropriations Committee reports favorably Assembly Bill No. 4790 (ACS).

This bill requires the Division of Medical Assistance and Health Services in the Department of Human Services 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 for all Medicaid beneficiaries with the third party entity administering the model for the purposes of effectuating the model, which claims data will include historical data.

As reported by the committee, Assembly Bill No. 4790 (ACS) is identical to Senate Bill No. 887 (SCS/1R) which was also reported by the committee on this date.

FISCAL IMPACT:

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 exist, 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.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 4790
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JUNE 14, 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 exist, 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 exist, 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.).

Governor Murphy Takes Action on Legislation

07/2/2021

TRENTON – Today, Governor Murphy signed the following bills into law:

SCS for S-887/ACS for A-4790 (Sweeney, Greenstein/Downey, Benson, Vainieri Huttle) – Requires DHS to contract with third party entity to apply risk reduction model to Medicaid prescription drug services.

A-5840/S-3923 (Burzichelli, Taliaferro, Karabinchak/Sweeney) – Authorizes State Treasurer to enter lease for real property and improvements with NJEDA for construction of New Jersey Wind Port in Lower Alloways Creek Township, Salem County.

A-5897/S-3958 (Reynolds-Jackson, Verrelli/Turner) – Authorizes Capital City Redevelopment Corporation on behalf of State Treasurer to sell surplus real property and improvements located in City of Trenton, County of Mercer; appropriates proceeds of sale.

A-5939/S-3993 (Pintor Marin, Burzichelli/Ruiz, Cruz-Perez) – Revises various provisions of “New Jersey Economic Recovery Act of 2020” and other economic development programs; establishes New Jersey Innovation Fellows Program; appropriates \$10 million.