

SENATE, No. 234

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Senator INVERSO

1 AN ACT concerning Medicaid prescription drug benefits and
2 supplementing P.L.1968, c.413 (C.30:4D-1 et seq.) and Title 17 of
3 the Revised Statutes.

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

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8 1. This act shall be known and may be cited as the "Medicaid
9 Prescription Drug Benefit Act."

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11 2. The Legislature finds and declares that:

12 a. The Medicaid program in New Jersey is currently in the process
13 of shifting its AFDC-eligible recipient population into managed care
14 arrangements on a mandatory basis under a federal government waiver
15 pursuant to section 1915(b) of the federal Social Security Act
16 (42 U.S.C.§1396n) and is seeking to enroll other recipients by
17 application for a waiver pursuant to section 1115 of the Social
18 Security Act (42 U.S.C.§1315).

19 b. The managed care capitated payment methodology is very
20 different from the current Medicaid reimbursement system for
21 pharmacies which pays for every prescription dispensed to a Medicaid
22 recipient; however, the Medicaid program has been able to effectively
23 manage the provision of comprehensive pharmaceutical services for its
24 recipients under its current fee-for-service reimbursement system.

25 c. The current federal Medicaid program provides for a rebate to
26 be paid to the State by pharmaceutical manufacturers wishing to have
27 their products utilized in the State Medicaid program; however,
28 rebates from the pharmaceutical manufacturers will be eliminated if
29 Medicaid prescription drugs are provided to recipients under a
30 managed care plan, and the net effect would be a reduction in State
31 revenues.

32 d. Preserving the current Medicaid fee-for-service reimbursement
33 system for pharmacies will ensure Medicaid recipients' continued
34 access to cost-effective pharmaceutical services, which would
35 otherwise be impeded by the inclusion of prescription drug benefits in

1 managed care plans that restrict a Medicaid recipient's choice of
2 pharmacy.

3 e. There is no proof that managed care plans effectively contain
4 drug costs and no compelling reason to dismantle the existing
5 Medicaid fee-for-service reimbursement system for pharmacies; and it
6 is, therefore, in the best interest of the State and its Medicaid
7 recipients to prohibit the inclusion of prescription drug benefits in any
8 managed care plan which provides services to Medicaid recipients.

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10 3. As used in this act:

11 "Managed care plan" means a health benefits plan that integrates the
12 financing and delivery of appropriate health care services to covered
13 persons by arrangements with participating providers, who are selected
14 to participate on the basis of explicit standards, to furnish a
15 comprehensive set of health care services and financial incentives for
16 covered persons to use the participating providers and procedures
17 provided for in the plan. Managed care includes, but is not limited to,
18 a health maintenance organization or HMO, a preferred provider
19 organization or PPO, an exclusive provider organization or EPO, a
20 point-of-service plan or POS, or any other similar health benefits
21 delivery system, whether issued by or through a carrier.

22 "Prescription drug" means any drug which requires a prescription
23 in this State, including insulin, insulin syringes and insulin needles, and
24 does not include experimental drugs as designated by the federal Food
25 and Drug Administration.

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27 4. Prescription drug benefits under the Medicaid program
28 established pursuant to P.L.1968, c.413 (C.30:4D-1 et seq.) shall be
29 provided on a fee-for service basis based upon reimbursement formulas
30 established by the Commissioner of Human Services and shall not be
31 included in a managed care plan offered in this State.

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33 5. The Commissioner of Insurance shall not approve for utilization
34 in the Medicaid program established pursuant to P.L.1968, c.413
35 (C.30:4D-1 et seq.) a health benefits plan offered by an insurance
36 company, health service corporation, hospital service corporation,
37 medical service corporation or health maintenance organization which
38 provides prescription drug benefits.

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40 6. This act shall take effect on the 60th day after enactment.

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STATEMENT

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45 This bill requires that Medicaid prescription drug benefits be
46 provided on a fee-for service basis based upon reimbursement formulas

1 established by the Commissioner of Human Services and prohibits the
2 inclusion of such benefits in a managed care plan offered in this State.
3 The bill prohibits the Commissioner of Insurance from approving for
4 utilization in the Medicaid program a health benefits plan offered by
5 an insurer or HMO which provides prescription drug benefits. The bill
6 takes effect on the 60th day after enactment.

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11 Designated the "Medicaid Prescription Drug Benefit Act."