

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.