

Resolution # 6

**RESOLUTION OF THE STATE HEALTH BENEFITS PLAN DESIGN COMMITTEE
RECOMMENDING STATE HEALTH BENEFITS COMMISSION ACTIONS
REGARDING PHARMACY BENEFIT MANAGER**

WHEREAS, pursuant to N.J.S.A. 52:14-17.29 et seq. the State Health Benefits Program (SHBP) provides health coverage to qualified employees and retirees of the State and participating local employers; and

WHEREAS, the SHBP was enacted in 1961 for the purpose of providing affordable health care coverage for public employees on a cost effective basis; and

WHEREAS, the State Health Benefits Plan Design Committee (SHB PDC) was created pursuant to N.J.S.A. 52:14-17.27(b) and granted authority to create, modify, or terminate any plan or component; and

WHEREAS, pharmaceutical benefits spending has emerged as the fastest growing component of the SHBP overall health care spend, and innovation in pharmacy adjudication technology has demonstrated its capacity to capture significant reductions in growth of pharmaceutical benefits spending (i.e., significant increases in pharmaceutical benefit savings) for a substantial number of payers; and

WHEREAS, both State and local employers, as well as participants in the SHBP, seek to optimize the value of the taxpayer and employee funds spent to provide pharmaceutical benefits to participants in the SBPB; and

(i) Introduction of Auditing Technology for 100% Claims:

Innovation in pharmacy claims adjudication technology has created an opportunity for the State of New Jersey to undertake rapid, automatic, real time, 100% claims, line-by-line review of all Pharmacy Benefits Management (PBM) invoices submitted on an ongoing basis by the PBM and to identify if and where such invoiced claims payments exceed terms of the SHBP contract with the PBM for the purposes of ensuring that the correct amounts are paid for pharmacy claims.

In order to accomplish such auditing, the SHB PDC requests that the State Health Benefits Commission (SHBC), to procure a pharmacy adjudication technology vendor in accordance with applicable laws and regulations.

In undertaking a procurement, we recommend that the SHBC require that the developer and operator of the pharmacy claims adjudication technology agree to provide the above services on a shared-savings basis, but without guarantee of any minimum fee, whatsoever, from the State of New Jersey. Moreover, the technology operator shall agree to forego any shared savings, whatsoever, for the first realized savings up to an amount set by the SHBC for actual pharmacy claims spending below the projected growth trend under the current PBM contract, the technology operator shall agree to share only in some portion of savings above the initial amount set by the SHBC in savings captured from adjudication of all active, retiree, and dependent SHBP pharmacy benefit claims through the ongoing PBM invoice review process.

RECOMMENDATIONS RE PBM PROCUREMENT

(ii) SHBC Authorization of Procurement of PBM via Reverse Auction

The competitive environment in the PBM and pharmaceutical industry has created an opportunity for the State of New Jersey to put PBM's in dynamic competition with one another for the SHBP's business/contract, through an expeditious, dynamic, online competitive bidding (or "reverse auction") process to provide PBM services at the best value for the State of New Jersey and plan participants.

In order to accomplish such a procurement, the SHB PDC requests that the SHBC, which has the contracting authority pursuant to N.J.S.A. 52:14-17.28, authorize, direct and/or assist the DPP in the development of a dynamic, competitive, online reverse auction in the procurement of the subsequent PBM contract in accordance with the laws and regulations governing the State Health Benefits Program and the Division of Purchase and Property.

WHEREAS, pursuant to N.J.S.A. 52:14-17.28 the State Health Benefits Commission has jurisdiction over contracts with carriers for the plans approved by the State Health Benefits Plan Design Committee, including prescription drug plan coverage; and

WHEREAS, the State Health Plan Design Committee acknowledges that action by the State Health Benefits Commission and the Division of Pensions and Benefits under authority delegated to the Division as Contract Manager is needed to effectuate the foregoing recommendations regarding the current and future provision of Pharmacy Benefit Management services to the SHBP/SEHBP.

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The Committee requests that the State Health Benefits Commission, with the assistance of the Division of Pensions and Benefits and the Division of Purchase and Property (DPP), where necessary, take action as outlined above, to (i) authorize procurement of an auditing firm of all PBM invoices beginning in 2018; (ii) request DPP procure a PBM contractor through a reverse auction; and (iii) extend the current PBM contract with Express Scripts, Inc., in accordance with applicable laws and regulations.

DATED: 08 29 2016

Note: Grammatical, spelling and typographical errors are corrected but remain subject to approval by the State Health Benefits Plan Design Committee.