

SHB PDC RESOLUTION # 2

**RESOLUTION OF THE STATE HEALTH BENEFITS PLAN DESIGN COMMITTEE TO ADOPT GENERIC
SUBSTITUTION PREFERENCE OFFERED BY STATE 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, all SHBP plans, with the exception of Medicare Advantage plans, are self-funded, which means that the money paid out for benefits comes directly from a SHBP fund supplied by the State, participating local employers, and member premiums; and

WHEREAS, the cost to employees, retirees and employers for continued health care benefits and prescription drug benefits at comparable levels of coverage continue to increase exponentially and the ability for employers and employees to pay for these benefits has strained the budgets of the State and local employers and causes increased costs to participants; and

WHEREAS, the SHBP Plan Design Committee recognizes that pharmaceuticals, an integral part of medical treatment, keep patients healthier and extend or save lives and in many situations, proper pharmaceutical use is documented to save money by avoiding costly hospitalization, emergency room use, moving to a nursing home or repeat visits to specialists; and

WHEREAS, the SHB Plan Design Committee seeks to adopt a plan design change which would encourage utilization by plan participants of generic drug products, as that term is defined in N.J. S.A. 52:14-17.46.6, of multi-sourced medications (i.e. a pharmaceutical that can be purchased under any of several trademarks from different manufacturers or distributors) when one is available; and;

WHEREAS, the SHB Plan Design Committee recognizes that the federal Food and Drug Administration (FDA), which approves all drug products sold legally in the United States, certifies the “safety and suitability of generic drugs and encourages their use” and that all generic drugs must meet the same strict quality guidelines and have exactly the same active ingredient as brand-name drug equivalents; and

WHEREAS, AON Consulting, Inc. in several publicly available Rate Renewal reports has recommended the utilization of a Generic Substitution requirement, by the State’s Pharmacy Benefit Manager, when a generic equivalent is available, in order to provide quality coverage for patients through the selection of medications that are clinically proven and appropriate for their therapeutic class, and which maximize value relative to costs, wherein a plan participant’s copay will be increased to share the additional cost when a brand drug is dispensed unless the brand drug is medically necessary and appropriate under the guidelines currently applicable to the plan; and

GENERIC SUBSTITUTION

WHEREAS, pursuant to N.J.S.A. 52:14-17.29(D) the Committee finds that these changes are in the best interest of the State, local employers, and employees and will incentivize utilization of cost effective generic drug products and dis-incentivize unnecessary utilization of more expensive drugs where there is a clinical equivalent drug therapy lower cost option available.

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. Commencing no later than December 1, 2016, prescription drug plans provided to State and local participants in the SHBP shall include a generic substitution requirement for all FDA authorized generic drugs, unless the member demonstrates that the non-formulary drug is medically necessary and appropriate as determined by the laws governing the SHBP, the Plan Handbooks and applicable policies of the carrier.
2. The foregoing generic provision shall not apply to Medicare eligible retirees.
3. The Committee requests that the State Health Benefits Commission and/or Division of Pensions and Benefits take appropriate action with the carrier to effectuate a modification of the existing contract and to require that the Pharmacy Benefits Manager provide adequate notice to the plan participants of the changes, including notice to Medicare eligible retirees that such changes shall not apply to them.
4. The Generic Substitution Preference shall continue for one plan year and will continue if only by an affirmative majority vote of the committee.
5. During an applicable appeal process, members will have co-pay equal to brand. If process results in needing non-generic, then copay will be at generic rate.

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.