

LEGISLATIVE FISCAL ESTIMATE
[Third Reprint]
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, Nos. 536 and 2841
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JULY 5, 2023

SUMMARY

Synopsis: Establishes new transparency standards for pharmacy benefits manager business practices.

Type of Impact: State revenue increase from pharmacy services administrative organization registration fees.

Agencies Affected: Department of Banking and Insurance.

Office of Legislative Services Estimate

Fiscal Impact	
State Cost Increase	Indeterminate
State Revenue Increase	Modest increase, likely around \$20,000

- The Office of Legislative Services (OLS) estimates that this bill will result in a modest increase in State revenue collections of approximately \$20,000 every three years. The bill requires that pharmacy benefits managers apply for a license and pharmacy services administration organizations register with the Department of Banking and Insurance every three years. Given that the revised pharmacy benefits manager license term and construct does not contain any material changes from the existing process, the entire net increase in revenue will derive from the newly-required pharmacy services administrative organization registrations. There are currently eight pharmacy services administrative organizations operating in New Jersey.
- The OLS notes that the bill may result in an annual increase in State revenue collections from penalties pharmacy benefits managers are subject to for violations of the provisions of the bill.
- The OLS also notes that the enactment of the bill may result in an indeterminate State administrative cost increase from the bill’s requirement that the department establish, by regulation, certain minimum standards for the issuance of a license to a pharmacy benefits manager.

BILL DESCRIPTION

This bill sets new transparency standards for pharmacy benefits manager business practices. Specifically, the bill concerns the licensing and reporting requirements of carriers, pharmacy benefits managers, and pharmacy services administrative organizations. The bill requires that pharmacy benefits managers apply for a license and pharmacy services administrative organizations register with the Department of Banking and Insurance every three years and requires carriers to ensure that a pharmacy benefits manager under contract with the carrier acts in good faith and fair dealing in the performance of all its contractual duties. The bill requires the Department of Banking and Insurance to establish, by regulation, certain minimum standards for the issuance of licenses to pharmacy benefits managers.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill will result in a positive impact, likely insignificant, on State revenue through increased license and registration fees. The bill requires that pharmacy benefits managers apply for a license and pharmacy services administration organizations register with the Department of Banking and Insurance every three years. Under current state regulations, pharmacy benefits managers register under the process used for an “Organized Delivery System” with a three-year fee of \$2,500. The bill provides that any firms which have registered under the organized delivery system process would have 24 months to apply under the new pharmacy benefits manager license process. Given the high concentration of firms in this market (there are only 15 firms nationally that have any measurable market share) and the length of the grace period, there will be no material effect from license revenues from this change for pharmacy benefits managers.

The OLS assumes that a similar license fee of \$2,500 will be charged for the pharmacy services administrative organization registration. Currently, there are eight pharmacy services administration organizations active in New Jersey. Considering that it is unlikely that any of these firms would be operating under an organized delivery system license or certification, the OLS estimate assumes that all eight firms will register to comply with the requirements in the year following enactment.

The bill increases the penalties pharmacy benefits managers are subject to for violations of the provisions of the bill. The OLS notes that this provision may increase revenue collections by an indeterminate, likely insignificant, amount.

The OLS also notes that the enactment of the bill may result in an indeterminate State administrative cost increase from the bill’s requirement that the department establish, by regulation, certain minimum standards for the issuance of a license to a pharmacy benefits manager.

Section: Commerce, Labor and Industry

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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.).