

ASSEMBLY, No. 5577

STATE OF NEW JERSEY 222nd LEGISLATURE

INTRODUCED OCTOBER 5, 2026

Sponsored by:

Assemblyman STERLEY S. STANLEY

District 18 (Middlesex)

Assemblyman ROY FREIMAN

District 16 (Hunterdon, Mercer, Middlesex and Somerset)

Assemblywoman SHANIQUE SPEIGHT

District 29 (Essex and Hudson)

SYNOPSIS

Establishes and requires use of preferred drug list for State health benefit plans.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT establishing a preferred drug list for State health benefit
2 plans and supplementing Title 52 of the Revised Statutes.

3
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6
7 1. As used in this act:

8 “Pharmacy benefits manager fee” means a payment that covers
9 the cost of providing pharmacy benefits management services for
10 the preferred drug list.

11 “Preferred drug list” means the list of drugs and other products
12 established pursuant to section 2 of this act.

13 “Product” means any drug or non-drug product managed on the
14 preferred drug list.

15
16 2. a. The State Treasurer shall establish and maintain a
17 preferred drug list for use by the State Health Benefits Program and
18 the School Employees' Health Benefits Program.

19 b. The preferred drug list shall be comprised of drugs and non-
20 drug items where preferred products and non-preferred products
21 within the same or similar therapeutic categories are chosen on their
22 clinical and economic merits. All products may be subject to
23 utilization management, including prior authorization; non-
24 preferred products shall be subject to the same utilization
25 management as preferred products, but also be subject to the
26 specific criteria of the preferred drug list. The State Treasurer shall
27 have authority to seek supplemental rebates with drug
28 manufacturers and related entities on behalf of the programs, with
29 the purpose of controlling the cost of drugs for covered persons,
30 while enhancing compliance and quality of care and improving
31 health-related outcomes.

32 A carrier contracted to provide benefits pursuant to the State
33 Health Benefits Program or the School Employees' Health Benefits
34 Program shall be prohibited from negotiating rebates on any
35 products included on the preferred drug list. The contract regarding
36 supplemental rebates shall exist between the manufacturer and the
37 commission. A carrier shall remit the entirety of any supplemental
38 rebate collected on behalf of the State Health Benefits Program or
39 the School Employees' Health Benefits Program to the State
40 Treasurer.

41 c. The State Treasurer shall ensure that the reimbursement
42 methodology, including the professional dispensing fee, is the same
43 for all products within a preferred drug list therapeutic class chosen
44 as preferred or non-preferred, regardless of brand, generic or
45 biosimilar status.

46 d. The State Treasurer shall collect and maintain the following
47 information:

1 (1) all sources and amounts of income, payments, and financial
2 benefits negotiated by the program in relation to the provision and
3 administration of the preferred drug list, including, but not limited
4 to, any pricing discounts, rebates of any kind, inflationary
5 payments, credits, clawbacks, fees, grants, chargebacks,
6 reimbursements, or other benefits;

7 (2) all ingredient costs and pharmacy dispensing fees
8 determined by the program;

9 (3) the payment model for administrative fees; and

10 (4) any differences between the amount paid pursuant to the
11 preferred drug list and the amount charged to the Medicaid program
12 for that product.

13 e. The State Treasurer shall base final decisions on the clinical
14 efficacy of products and the price of competing products. The State
15 Treasurer may contract with an outside agency or contractor to
16 conduct negotiations for supplemental rebates and develop the
17 preferred drug list, provided that all final decisions remain with the
18 State Treasurer.

19
20 3. a. A pharmacy benefits manager shall not negotiate,
21 administer, or retain a manufacturer rebate on any products on the
22 preferred drug list.

23 b. A pharmacy benefit manager shall not derive income from
24 pharmacy benefits services provided to the State Health Benefits
25 Program or the School Employees' Health Benefits Program for
26 products on the preferred drug list except for income derived from a
27 pharmacy benefits manager fee. The amount of any pharmacy
28 benefits manager fees required for administration of the preferred
29 drug list shall be set forth in the agreement between the pharmacy
30 benefits manager and the program.

31 c. The pharmacy benefits manager fee paid to a pharmacy
32 benefits manager for any product on the preferred drug list shall not
33 be directly or indirectly based or contingent upon:

34 (1) the acquisition cost or any other price metric of a drug;

35 (2) the amount of savings, rebates, or other fees charged,
36 realized, or collected by or generated based on the activity of the
37 pharmacy benefits manager; or

38 (3) the amount of premiums, deductibles, or other cost sharing
39 or fees charged, realized, or collected by the pharmacy benefits
40 manager from patients or other persons on behalf of a patient.

41 d. A pharmacy benefits manager fee shall not exceed the value
42 of the service performed by the pharmacy benefits manager.

43 e. A pharmacy benefits manager or payer shall reimburse a
44 pharmacy for dispensing a drug on the preferred drug list. Any
45 system of pharmacy reimbursement shall include the cost of the
46 drug or product and a professional dispensing fee. The system shall
47 be established to maximize cost savings for the State and shall
48 utilize the Medicaid Covered Outpatient Prescription Drug

1 Reimbursement methodology. Ingredient cost shall be based on the
2 National Average Drug Acquisition Cost (NADAC), or, if a
3 NADAC is unavailable, the Wholesale Acquisition Cost (WAC)
4 minus two percent, or, if neither is available, the Suggested
5 Wholesale Price (SWP) minus 19 percent. The professional
6 dispensing fee shall be the State Medicaid professional dispensing
7 fee.

8
9 4. The State Treasurer shall, in accordance with the
10 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
11 seq.), adopt rules and regulations as necessary to implement this
12 act.

13
14 5. This act shall take effect on the first day of the seventh
15 month next following the date of enactment and shall apply to
16 contracts and agreements entered into, renewed, modified, or
17 amended on or after the effective date, but the State Treasurer may
18 take such anticipatory administrative action in advance thereof as
19 shall be necessary for the implementation of the act.

20
21
22 STATEMENT

23
24 This bill requires the State Treasurer to establish and maintain a
25 preferred drug list for use by the State Health Benefits Program and
26 the School Employees' Health Benefits Program.

27 The bill provides that the preferred drug list is to be comprised of
28 drug and non-drug items where preferred products and non-
29 preferred products within the same or similar therapeutic categories
30 are chosen based on their clinical and economical merits. All
31 products (preferred and non-preferred) may be subject to utilization
32 management, including prior authorization; non preferred drugs will
33 be subject to the same utilization management as preferred agents,
34 but also be subject to preferred drug list specific criteria.

35 The bill prohibits managed care organizations from negotiating
36 rebates on any products included on the preferred drug list. The bill
37 requires the State Treasurer to contract with drug manufacturers
38 regarding supplemental rebates.

39 The bill requires the program to develop a consistent cost
40 methodology for pricing ingredients of drugs and professional
41 dispensing fees.

42 The bill also requires the program to collect and maintain the
43 following information:

44 (1) all sources and amounts of income, payments, and financial
45 benefits negotiated by the program in relation to the provision and
46 administration of the preferred drug list, including, but not limited
47 to, any pricing discounts, rebates of any kind, inflationary

1 payments, credits, clawbacks, fees, grants, chargebacks,
2 reimbursements, or other benefits;

3 (2) all ingredient costs and pharmacy dispensing fees determined
4 by the program;

5 (3) the program's payment model for administrative fees; and

6 (4) any differences between the amount paid pursuant to the
7 preferred drug list and the amount charged to the Medicaid program
8 for that prescription drug.

9 The bill prohibits pharmacy benefits managers from negotiating,
10 administering, or retaining manufacturer rebates on products on the
11 preferred drug list. Pharmacy benefit managers may not derive
12 income from pharmacy benefits services provided to a payer in this
13 State for products on the preferred drug list except for income
14 derived from a pharmacy benefits manager fee. The bill requires
15 the amount of any pharmacy benefits manager fees for products on
16 the preferred drug list to be set forth in the agreement between the
17 pharmacy benefits manager and the payer.

18 The bill requires the State Treasurer to base final decisions on
19 the clinical efficacy of products, and the price of competing
20 products. The State Treasurer may contract with an outside agency
21 or contractor to conduct negotiations for supplemental rebates and
22 develop the preferred drug list, provided that all final decisions
23 remain with the State Treasurer.