

ASSEMBLY, No. 5668

STATE OF NEW JERSEY

222nd LEGISLATURE

INTRODUCED OCTOBER 19, 2026

Sponsored by:

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District 18 (Middlesex)

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District 16 (Hunterdon, Mercer, Middlesex and Somerset)

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SYNOPSIS

Requires Department of Treasury to contract with pharmacy benefits manager to manage pharmacy benefits for certain State-sponsored health benefits plans.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the procurement of a pharmacy benefits
2 manager for certain State-sponsored health benefits plans and
3 supplementing P.L.2015, c.179 (C.17B:27F-1 et seq.).
4

5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*
7

8 1. As used in this act:

9 “Department” means the Department of the Treasury.

10 “Professional dispensing fee” means the same as defined
11 pursuant to 42 C.F.R. s.447.502.

12 “State pharmacy benefits manager” means a corporation or other
13 business entity, or unit within a corporation or other business entity
14 that, pursuant to a contract with the department, administers
15 prescription drug benefits on behalf of the State Health Benefits
16 Commission and School Employees’ Health Benefits Commission.

17 “Vendor” means a third-party administrator that conducts claims
18 administration, network management, claims processing, or other
19 related services for the State Health Benefits Commission and the
20 School Employees’ Health Benefits Commission.
21

22 2. a. No later than January 1, 2030, the department shall issue
23 a request for proposals for a single third-party administrator to
24 serve as the State pharmacy benefits manager to administer all
25 pharmacy benefits for the State Health Benefit Commission and
26 School Employees’ Health Benefits Commission. The department
27 shall:

28 (1) evaluate applications received pursuant to section 3 of this
29 act and choose an applicant, in collaboration with members of the
30 State Health Benefits Commission and the School Employees’
31 Health Benefits Commission, to serve as the State pharmacy
32 benefits manager; and

33 (2) enter into a contract with a third-party administrator chosen
34 pursuant to paragraph (1) of this subsection to act as the State
35 pharmacy benefits manager and manage, direct, and coordinate:

36 (a) payments and rebates for any prescription drugs listed in the
37 contract; and

38 (b) all other services and payments relating to the provision of
39 prescription drugs under a plan providing health care benefits
40 coverage for eligible public employees and retirees, and their
41 eligible dependents, offered by the State Health Benefits Program
42 or the School Employees’ Health Benefits Program.

43 b. The contract awarded pursuant to subsection a. of this
44 section shall:

45 (1) include the provisions required by section 4 of this act;

46 (2) require the State pharmacy benefits manager to disclose to
47 the department, the State Health Benefits Commission, and the
48 School Employees’ Health Benefits Commission any information

- 1 relating to the services covered by the contract, including, but not
2 limited to:
- 3 (a) information concerning dispensing fees, including the total
4 amount and how the total is calculated;
 - 5 (b) measures taken to control costs;
 - 6 (c) rebates collected and paid;
 - 7 (d) any additional fees and charges imposed by the State
8 pharmacy benefits manager pursuant to the contract; and
 - 9 (e) any other sources of payment received by the State
10 pharmacy benefits manager for prescription drugs covered by the
11 contract;
- 12 (3) require the State pharmacy benefits manager to comply with
13 all other applicable State and federal laws;
- 14 (4) require the State pharmacy benefits manager to provide the
15 entire amount of any rebates received for the purchase of
16 prescription drugs, including, but not limited to, rebates for the
17 purchase of prescription drugs by an entity other than the
18 department, to the department; and
- 19 (5) require the State pharmacy benefits manager to pass through
20 to the State in full all income, payments, and financial benefits
21 related to the provision and administration of pharmacy benefits
22 management services, including, but not limited to, any pricing
23 discounts, pharmacy discounts, inflationary payments, credits, claw
24 backs, fees, grants, chargebacks, reimbursements, or other benefits.
25 For the purposes of this paragraph, “income, payments, and
26 financial benefits” shall include any amounts received, earned,
27 retained, credited, or otherwise obtained, directly or indirectly, by
28 the pharmacy benefits manager or through any affiliate, subsidiary,
29 parent company, group purchasing organization, rebate aggregator,
30 or other entity acting on behalf of, under common ownership or
31 control with, or for the benefit of the pharmacy benefits manager.
- 32 c. In addition to the requirements of subsection b. of this
33 section, a contract entered into pursuant to subsection a. of this
34 section shall prohibit the State pharmacy benefits manager from:
- 35 (1) using spread pricing;
 - 36 (2) paying a pharmacy a professional dispensing fee for a drug
37 which is less than the applicable dispensing fee established pursuant
38 to paragraph (3) of subsection a. of section 7 of this act;
 - 39 (3) creating, modifying, implementing, or indirectly establishing
40 any fee to be imposed upon a pharmacy, pharmacist, or a recipient
41 of benefits under the contract without first seeking and obtaining
42 written approval from the department;
 - 43 (4) requiring a recipient of benefits under the contract to obtain
44 a specialty drug from a specialty pharmacy owned by or otherwise
45 associated with the State pharmacy benefits manager;
 - 46 (5) requiring a recipient of benefits under the contract to use
47 a specific pharmacy;

1 (6) requiring a recipient of benefits under the contract to use a
2 mail-order pharmacy;

3 (7) deriving income from pharmacy benefits management
4 services provided to the State Health Benefits and School
5 Employees' Health Benefits Programs, except for income derived
6 from a pharmacy benefits manager fee; and

7 (8) deriving income, revenue, remuneration, or other financial
8 benefit from conducting, administering, or otherwise participating
9 in pharmacy audits, including through audit fees, recoupments,
10 penalties, chargebacks, or amounts retained as a result of an audit.

11 d. As used in this section, "spread pricing" means any
12 technique by which a pharmacy benefit manager charges or claims
13 an amount from an insurer for drugs or services provided by a
14 pharmacy or pharmacist that is different from the amount the
15 pharmacy benefit manager pays the pharmacy or pharmacist, as
16 applicable, for those drugs or services.

17

18 3. a. A third-party administrator that meets the eligibility
19 criteria established pursuant to paragraph (1) of subsection a. of
20 section 7 of this act may apply to become the State pharmacy
21 benefits manager by submitting an application to the department in
22 a form and manner to be prescribed by the department. The
23 application shall demonstrate that the applicant is not disqualified
24 pursuant to subsection b. of this section and shall include, but not
25 be limited to, disclosures of:

26 (1) any activity, policy, practice, contract, or agreement of the
27 applicant that may directly or indirectly present a conflict of interest
28 in the relationship between the applicant and the department or a
29 vendor, including, but not limited to, any activity, policy, practice,
30 contract, or agreement that operates solely or partially outside this
31 State;

32 (2) any direct or indirect fees, charges, or assessments that the
33 applicant imposes on any pharmacy in this State:

34 (a) with which the applicant shares common ownership,
35 management, or control;

36 (b) which is owned, managed, or controlled by any
37 management, parent or subsidiary of the applicant, any company
38 jointly held by the applicant or any company otherwise affiliated
39 with the applicant by a common owner, manager, or holding
40 company;

41 (c) for which the board of directors of the pharmacy shares any
42 members in common with the board of directors of the applicant; or

43 (d) which shares any manager in common with the applicant;

44 (3) all common ownership, common management, common
45 members of a board of directors, shared managers, or shared control
46 between:

47 (a) the applicant, or any management, parent, subsidiary or
48 jointly held company of the applicant or any company otherwise

- 1 affiliated by a common owner, manager, or holding company with
2 the applicant; and
- 3 (b) any of the following entities:
- 4 (i) a vendor or a company affiliated with the vendor;
- 5 (ii) a pharmacy services administrative organization, any other
6 entity that contracts on behalf of a pharmacy or any company
7 affiliated with a pharmacy services administrative organization or
8 such an entity;
- 9 (iii) a wholesale distributor, as defined pursuant to 21 C.F.R.
10 s.205.3(g);
- 11 (iv) a third party, other than a vendor, or any company affiliated
12 with a third party; and
- 13 (v) a pharmacy or any company affiliated with a pharmacy; and
- 14 (4) all financial arrangements, including the terms of each
15 arrangement, currently in effect between the applicant and a
16 manufacturer or labeler of prescription drugs, including, but not
17 limited to, an arrangement for:
- 18 (a) the management of a formulary;
- 19 (b) fees relating to data sales; and
- 20 (c) education and support for claims processing.
- 21 b. The department shall disqualify an applicant from serving as
22 the State pharmacy benefits manager if the applicant:
- 23 (1) shares common ownership, management, control, or other
24 ownership interest with any vendor that contracts with the
25 department to provide services for the State Health Benefits
26 Commission, the School Employees' Health Benefits Commission,
27 or any licensed pharmacy, except that this paragraph shall not apply
28 solely by reason of common ownership with a prepaid ambulatory
29 health plan; or
- 30 (2) maintains any direct or indirect financial arrangement with a
31 manufacturer or labeler of prescription drugs that creates an
32 incentive for formulary decisions, drug substitution, or utilization
33 management, including, but not limited to, rebates, discounts,
34 chargebacks, claw backs, or data sales.
- 35 c. As used in this section, "third party" means a carrier or other
36 third-party payer.
- 37
- 38 4. a. A contract entered into between the department and the
39 State pharmacy benefits manager pursuant to section 2 of this act
40 shall require the State pharmacy benefits manager to:
- 41 (1) submit to and cooperate with an annual audit conducted by
42 the department to evaluate the compliance of the State pharmacy
43 benefits manager with the contract and generally accepted
44 accounting and business practices. The audit shall analyze all
45 claims processed by the State pharmacy benefits manager pursuant
46 to the contract; and
- 47 (2) obtain from an independent accountant, at the expense of the
48 State pharmacy benefits manager, an annual audit of internal

1 controls to ensure the integrity of financial transactions and claims
2 processing.

3 b. The department shall post the results of the audit conducted
4 pursuant to paragraph (1) of subsection a. of this section on the
5 Internet website of the department.

6
7 5. a. The State pharmacy benefits manager shall submit to the
8 department for review:

9 (1) each contract for the provision of benefits, under the contract
10 entered into pursuant to section 2 of this act, between the State
11 pharmacy benefits manager and a pharmacy or an entity that
12 contracts on behalf of the pharmacy;

13 (2) each revision to the terms and conditions of a contract
14 described pursuant to paragraph (1) of this subsection; and

15 (3) each suspension or termination of a contract described
16 pursuant to paragraph (1) of this subsection.

17 b. (1) The department shall review each submission received
18 pursuant to subsection a. of this section and approve or deny the
19 contract, revision, suspension, or termination, as applicable.

20 (2) A contract, revision, suspension or termination shall not be
21 effective until the contract, revision, suspension, or termination, as
22 applicable, is approved by the department.

23 c. To comply with updates to federal or State law or
24 regulations, the department shall make any necessary change to the
25 payment arrangement between the department and State pharmacy
26 benefits manager or a vendor and the State pharmacy benefits
27 manager.

28 d. The State pharmacy benefits manager shall not enter into,
29 renew, or amend any contract that is inconsistent with:

30 (1) the terms and conditions of the contract entered into by the
31 State pharmacy benefits manager and the department pursuant to
32 section 2 of this act; or

33 (2) the reimbursement methodologies and dispensing fees
34 established by the department pursuant to subsection a. of section
35 15 of this act.

36 e. Any contract in violation of subsection d. of this section
37 shall be void and unenforceable.

38

39 6. Each vendor shall be required to contract with and utilize the
40 State pharmacy benefits manager for the purpose of administering
41 all pharmacy benefits for eligible employees and retirees, and their
42 eligible dependents, in the State Health Benefits Program or the
43 School Employees' Health Benefits Program who receive pharmacy
44 benefits through the vendor. Each vendor that enters into a contract
45 with the department pursuant to this section shall disclose, upon the
46 request of the department and in a form and manner prescribed by
47 the department, the expenditures of the vendor associated with
48 providing pharmacy benefits for the beneficiaries of the State

1 Health Benefits Program or the School Employees' Health Benefits
2 Program.

3

4 7. a. The department, in collaboration with members of the
5 State Health Benefits Commission and School Employees' Health
6 Benefits Commission, shall adopt rules and regulations, pursuant to
7 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1
8 et seq.), establishing:

9 (1) the criteria that a pharmacy benefit manager shall meet to be
10 eligible to serve as the State pharmacy benefits manager and enter
11 into a contract pursuant to subsection a. of section 2 of this act;

12 (2) the methodology for reimbursement to pharmacies for
13 providing benefits under a contract entered into pursuant to
14 subsection a. of section 2 of this act;

15 (3) dispensing fees paid to pharmacies and pharmacists for
16 providing benefits under a contract entered into pursuant to
17 subsection a. of section 2 of this act; and

18 (4) any other rules and regulations as may be necessary to carry
19 out the provisions of this act.

20 b. To the extent authorized by federal law, the dispensing fees
21 established pursuant to paragraph (3) of subsection a. of this section
22 may vary by pharmacy type, including, but not limited to, rural and
23 independently owned pharmacies and pharmacies owned by a
24 corporation operating in multiple states.

25 c. To the extent practicable, the methodology for
26 reimbursement established pursuant to paragraph (2) of subsection
27 a. of this section shall:

28 (1) generate the maximum amount of savings for the State with
29 respect to the cost of prescription drugs; and

30 (2) provide rates of reimbursement for drugs which are based on
31 the actual cost of acquiring a drug. The calculation of a pharmacy
32 reimbursement shall include the cost of the drug and a professional
33 dispensing fee. The State shall utilize the Medicaid Covered
34 Outpatient Prescription Drug Reimbursement methodology.
35 Ingredient cost shall be based on the National Average Drug
36 Acquisition Cost (NADAC) or, if a NADAC is unavailable, the
37 Wholesale Acquisition Cost (WAC) minus 2 percent or, if neither is
38 available, the Suggested Wholesale Price (SWP) minus 19 percent.
39 The professional dispensing fee shall be the State Medicaid
40 professional dispensing fee.

41

42 8. This act shall take effect on January 1, 2030, except that the
43 State Treasurer may take any anticipatory administrative action as
44 shall be necessary for the implementation of this act.

STATEMENT

This bill requires the Department of the Treasury (department), no later than January 1, 2030, to issue a request for proposal and contract with a single third-party administrator to serve as the State pharmacy benefits manager and administer all pharmacy benefits under the State Health Benefits Commission and School Employees' Health Benefits Commission.

Under the bill, the department must:

(1) evaluate applications received by the department and choose an applicant to serve as the State pharmacy benefits manager; and

(2) enter into a contract with the chosen applicant to manage, direct, and coordinate:

(a) payments and rebates for any prescription drugs listed in the contract; and

(b) all other services and payments relating to the provision of prescription drugs under the State Health Benefits Program (SHBP) and the School Employees' Health Benefits Program (SEHBP).

Contracts entered into between the department and the State pharmacy benefits manager must:

(1) include provisions allowing certain audits of the contract for compliance purposes;

(2) disclose to the relevant parties any information relating to services covered by the contract

(3) require the State pharmacy benefits manager to comply with all other applicable State and federal laws; and

(4) require the State pharmacy benefits manager to provide the entire amount of any rebates received for the purchase of prescription drugs to the department.

In addition to the requirements above, a contract entered into pursuant to this bill will prohibit the State pharmacy benefits manager from:

(1) using spread pricing, as the term is defined in the bill;

(2) paying a pharmacy a professional dispensing fee for a drug which is less than the applicable dispensing fee established pursuant to the bill;

(3) creating, modifying, implementing, or indirectly establishing any fee to be imposed upon a pharmacy, pharmacist, or a recipient of benefits under the contract without first seeking and obtaining certain written approval;

(4) requiring a recipient of benefits under the contract to obtain a specialty drug from a specialty pharmacy owned by or otherwise associated with the State pharmacy benefits manager;

(5) requiring a recipient of benefits under the contract to use a specific pharmacy; and

(6) requiring a recipient of benefits under the contract to use a mail-order pharmacy.

1 The bill additionally stipulates requirements for the application
2 form that must be submitted to become the State pharmacy benefits
3 manager and requires vendors to contract with and utilize the State
4 pharmacy benefits manager for the purpose of administering all
5 pharmacy benefits to beneficiaries who receive pharmacy benefits
6 through the vendor.

7 The bill also establishes eligibility requirements for the request
8 for proposals. An applicant may not share ownership, management,
9 control, or another ownership interest with a vendor or any licensed
10 pharmacy, except where the affiliation is solely with a prepaid
11 ambulatory health plan. An applicant is also ineligible if it
12 maintains direct or indirect financial arrangements with drug
13 manufacturers or labelers that create incentives for formulary
14 decisions, drug substitution, or utilization management, including
15 rebates, discounts, chargebacks, claw backs, or data sales.

16 The bill requires the State pharmacy benefits manager to submit
17 pharmacy-related contracts, contract revisions, and contract
18 suspensions or terminations to the department for review. The
19 department must approve or deny each submission, and no contract
20 action becomes effective without approval. The department must
21 also modify certain payment arrangements as needed to comply
22 with federal or State law. The bill additionally provides that the
23 State pharmacy benefits manager must not enter, renew, or amend
24 contracts inconsistent with its State agreement or department-
25 established reimbursement and dispensing fee rules.

26 The bill further requires the department, in collaboration with the
27 State Health Benefits Commission and the School Employees'
28 Health Benefits Commission, to adopt regulations governing the
29 State pharmacy benefits manager. These rules must establish:

- 30 (1) eligibility criteria to become a State pharmacy benefits
31 manager;
32 (2) pharmacy reimbursement methodologies;
33 (3) dispensing fees; and
34 (4) any other rules and regulations as may be necessary to carry
35 out the provisions of this bill.

36 The bill finally provides that pharmacy reimbursement
37 methodologies should maximize State prescription drug savings and
38 provide rates of reimbursement for drugs which are based on the
39 actual cost of acquiring a drug.