

**SHBP PDC RESOLUTION # 2023-5**

**RESOLUTION OF THE STATE HEALTH BENEFITS PROGRAM PLAN DESIGN COMMITTEE TO ADOPT GENERIC SUBSTITUTION PREFERENCE OFFERED BY STATE PHARMACY BENEFIT MANAGER**

WHEREAS, pursuant to N.J.S.A. 52:14-17.25 to -17.46a, the State Health Benefits Program (SHBP) provides health coverage to qualified employees and retirees of the State of New Jersey (State) and participating local employers; and

WHEREAS, the SHBP was created in 1961 to provide 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 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 costs for health and prescription drug benefits continue to increase exponentially, which has strained the budgets of the State and local employers and caused increased costs to members; and

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

WHEREAS, the SHBP Plan Design Committee recognizes 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

WHEREAS, all generic drugs must meet the same strict quality guidelines and have exactly the same active ingredient as brand-name drug equivalents; and

WHEREAS, the SHBP Plan Design Committee, therefore, seeks to encourage members to use “generic drug products,” N.J.S.A. 52:14-17.46.6(f)(1)(d), over “brand name” drug products, N.J.S.A. 52:14-17.46.6(f)(1)(a); and

WHEREAS, to incentivize use of generic drug products the SHBP Plan Design Committee seeks to impose the cost for the use of unnecessary brand name drug products on the members using brand name medications; and

WHEREAS, on October 30, 2019, the SHBP Plan Design Committee adopted Resolution 2019-12, which required members to bear the full difference in cost between the brand name and generic drug products; and

WHEREAS, on August 31, 2020, the SHBP Plan Design Committee adopted Resolution 2020-5, which extended Resolution 2019-12 for one year; and

WHEREAS, on August 13, 2021, the SHBP Plan Design Committee adopted Resolution 2021-5, which extended Resolution 2010-5 for one year; and

WHEREAS, on September 14, 2022, the SHBP Plan Design Committee adopted Resolution 2022-3, which extended Resolution 2010-5 for one year; and

## 2023-5 Generic Substitution

WHEREAS, pursuant to N.J.S.A. 52:14-17.29(D), the SHBP Plan Design Committee finds it in the best interest of the State, local employers, and employees to continue to incentivize use of cost-effective generic drug products (Generic Substitution Preference).

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

Prescription drug plans provided to State and local participants in the SHBP shall include a generic substitution requirement for all FDA authorized generic drug products where the member will pay the difference in cost between the brand name and the generic medication if the member chooses to take the brand name instead of the generic. The total cost paid by the member shall never exceed the full price of the brand name medication. If the member's health care provider demonstrates the brand name medication is medically necessary and appropriate as determined by the laws governing the SHBP and the Plan handbook, then OptumRx, the Pharmacy Benefit Manager for the SHBP, shall not apply the cost difference to the member.

1. This Resolution shall not apply to Medicare eligible retirees.
2. The Committee requests the State Health Benefits Commission and/or Division of Pensions and Benefits take appropriate action with OptumRx to implement this Resolution.
3. The Generic Substitution Preference shall continue for one plan year and will continue thereafter only by an affirmative majority vote of the Committee.

DATED: July 26, 2023