

GENERIC SUBSTITUTION

**SHB PDC RESOLUTION # 2020-5**

**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 SHBP Plan Design Committee recognizes that pharmaceuticals, are an integral part of medical treatment, keep patients healthier, extend or save lives;

WHEREAS, 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 SHBP Plan Design Committee seeks to adopt a 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 SHBP 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

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

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WHEREAS, pursuant to N.J.S.A. 52:14-17.29(D) the Committee finds that the changes below 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; and

WHEREAS, on October 30, 2019 the SHBP Plan Design Committee adopted resolution 2019-12 which stated that a member shall pay the difference in cost between the brand and generic medication if they choose to take the brand instead of the generic;

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 drugs where the member will pay the difference in cost between the brand and generic medication if they choose to take the brand instead of the generic. It shall be understood that the total cost paid by the member should never exceed the full price of the brand medication. If the provider demonstrates that the name brand drug is medically necessary and appropriate as determined by the laws governing the SHBP and the Plan handbook, the carrier shall not apply the cost difference to the member.

1. This Resolution shall not apply to Medicare eligible retirees.
2. The Committee requests that the State Health Benefits Commission and/or Division of Pensions and Benefits take appropriate action with the carrier 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: August 31, 2020