STEPHEN M. SWEENEY
SENATE PRESIDENT

Email: SenSweeney@njleg.org

PLEASE REPLY TO: ☐ KINGSWAY COMMONS, SUITE 400
935 KINGS HIGHWAY
WEST DEPTFORD, NJ 08086
TEL: (856) 251-9801
FAX: (856) 251-9752

☐ 199 EAST BROADWAY, SUITE G
SALEM, NJ 08079
TEL: (856) 339-0808
FAX: (856) 339-9626

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Chairwoman Pendergrass and Members of the Maryland House Health and Government Operations Committee:

I am Steve Sweeney, President of the New Jersey State Senate, and I am grateful for your invitation to join you to discuss the success of our state's Pharmacy Benefits Manager program. I believe that our experience can serve as a model as you move forward with House Bill 1150, the Maryland Competitive Pharmacy Benefits Marketplace Act, to develop a similar initiative within your State Health and Welfare Benefits Program.

In New Jersey, our deployment of 21st century technology led us to modernize our process for selecting the highest value Pharmacy Benefits Manager, or "PBM," to provide prescription drug benefits to 750,000 New Jersey public sector employees, including State and local government workers, first responders, public school employees, retirees, and dependents. The development of an innovative approach to purchasing prescription medicines that I led with bipartisan support of my colleagues in the New Jersey Senate and Assembly — and in partnership with officials in the previous Administration, our State's public employee unions, and America's Agenda, a non-profit health care coalition and think tank — has yielded enormous, sustained savings for New Jersey taxpayers since we began implementation in 2017.

The innovative prescription drug purchasing feature conducts an online auction, powered by a cutting-edge, "big data" analytics technology platform, to create a dynamic, truly competitive marketplace in which PBMs bid and counter-bid against one another to win the State's business. Think of it as an "eBay" for PBMs. Rather than trying to choose between extremely complex and diverse Pharmacy Benefits Manager drug pricing proposals and then trying to negotiate a good state contract with the selected PBM, we created a competitive marketplace in which PBMs must compete in a transparent, online auction, in an effort to underbid one another over multiple bidding rounds to fulfill a best-in class contract written by the State. The PBMs are required to accept the terms of this contract as a pre-condition for bidding for the State account.

Equally important, our state repurposed the same technology platform we used to conduct the PBM reverse auction to hold the selected PBM accountable for complying with the terms of our contract. We accomplished this by conducting an ongoing, automated and rapid review — within a few hours — of all PBM prescription drug claims invoices throughout the duration of the pharmacy benefits contract. This real-time PBM bill review

process enabled quick State reconciliation of PBM overcharges that were flagged within hours of PBM submission of each invoice.

So what were the results?

Reliable projections at the conclusion of our first reverse auction set prescription drug savings to the State at **$1.6 Billion** or **18.5%** over a 3-year contract period.

In fact, savings to the State from the automated, online reverse auction and ongoing bill review exceeded this projection. In September 2018, just 9 months into the first plan year under the new pharmacy benefits contract awarded through our PBM reverse auction, Governor Phil Murphy reported that the our technology-enabled PBM selection and accountability process had "reduced pharmacy costs for state and local governments by **over 25%.** Active school employee members will see a sizable difference in their premiums for Plan Year 2019 with rates *decreasing* by 1.1 percent - in stark contrast to the 13% increase they saw last year — even before introduction of the new changes."

These remarkable savings to our state resulted from the combination of conducting the technology-enabled PBM reverse auction and deploying the same technology platform to electronically audit each PBM invoice claim-by-claim and line-by-line to flag errors and overcharges above the prescription drug pricing that should be charged under the new State contract.

In October 2018, the New Jersey Senate and Assembly unanimously voted to conduct a second reverse auction for early award of a successor pharmacy benefits contract based on our projection that savings to the State could be deepened and extended for additional years beyond the initial agreement. We were correct. In the summer of 2019, the State conducted a second reverse auction for a successor to the PBM contract awarded through our first PBM reverse auction of 2017. The PBM that won the first reverse auction in 2017 also secured the award of the second State contract in our 2019 reverse auction. Prescription drug savings were extended to State taxpayers and public employees to **$2.5 Billion** over two successor contracts covering a 5-year period from 2018 through 2022.

I would like to note that the reverse auction is, in fact, an updated, faster, and improved successor to New Jersey's traditional Request for Proposal process. As such, we found that no change to New Jersey statute was required to implement the dynamically competitive PBM reverse auction process in place of the less optimal, relatively static traditional RFP procedure that the State had previously used. However, we did enact legislation, Senate Bill 2479, that Governor Christie signed into law to enable an expedited RFP process for selection of a technology platform whose capabilities met the minimum specifications defined in the bill.

As a result of that legislation, two successive State Administrations under Governors Christie and Murphy both selected Truveris Technologies to operate the technology

platform best equipped to conduct our PBM online reverse auction and the ongoing, automated PBM bill review. Whether enactment of new law is required in Maryland to adopt a process similar to ours in New Jersey, I would recommend strongly that you define the minimum requirements and specifications for technology capable of performing the complex analytics required to conduct a successful PBM reverse auction and ongoing bill review, as we did in Senate Bill 2749. The procurement of a very capable, independent, technology platform operated with deep understanding of pharmacy pricing was crucial to our success in conducting a successful PBM auction and assuring accurate PBM invoicing to the State in "real-time" *before* funds leave the State treasury.

In New Jersey, we are on a mission to transform our state into a disciplined, 21st Century buyer of health care services and prescription medicines that provides public employees the level of benefits they deserve, while also delivering the value for the taxpayer dollars that are entrusted to state government for the benefit of our citizens. I am proud of the advances we have achieved for the people of New Jersey, particularly in the area of lowering, by substantial amounts, the cost of purchasing prescription medicines. Please do not hesitate to call upon me in the future if our experience in New Jersey can provide guidance to achieving your goals for the people of the great state of Maryland.

Respectfully submitted,

Stephen M. Sweeney
Senate President