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FISCAL IMPACT REPORT

SPONSOR Townsend/
Armstrong, D./Ezzell/ ORIGINAL DATE 2/7/2020
Fajardo/Black LAST UPDATED _____ HM 25
 SHORT TITLE Pharmacy Cost-of-Dispensing Study SB _____
 ANALYST Esquibel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Program	\$0.0	\$50.0	\$10.0	\$60.0	Nonrecurring	General Fund
Program	\$0.0	\$50.0	\$10.0	\$60.0	Nonrecurring	Federal Medicaid Matching Funds
Total	\$0.0	\$100.0	\$20.0	\$120.0	Nonrecurring	General Fund, Federal Matching Funds

(Parenthesis () Indicate Expenditure Decreases)

House Memorial 25 duplicates Senate Memorial 19, Pharmacy Cost-of-Dispensing Study.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

SUMMARY

Synopsis of Bill

House Memorial 25 (HM25) requests the Human Services Department (HSD) to commission a pharmacy cost-of-dispensing study to evaluate an appropriate professional dispensing fee as required by the Centers for Medicare and Medicaid Services (CMS) using New Mexico actual pharmacy data. HM25 resolves that the chosen contractor, survey instrument, and methodology should be consistent with CMS guidelines regarding the components of pharmacy costs that are appropriately applied reimbursements through the pharmacy dispensing fee of a state Medicaid program.

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HM25 requests the HSD Secretary provide the findings of the study to the Governor, Legislative Finance Committee, Legislative Health and Human Services Committee (LHHS), and Superintendent of Insurance (OSI) by November 30, 2021.

The memorial also resolves that funding for the study be included in the FY22 HSD state budget appropriation.

FISCAL IMPLICATIONS

HSD estimates the cost of hiring a contractor to perform the proposed study, HSD staff time, and data analysis efforts, would total approximately \$120 thousand, of which half would come from federal Medicaid matching funds, for a general fund impact of \$60 thousand. The memorial does not appropriate any funding to HSD for the proposed study but resolves that HSD's FY22 budget include funding for the study.

Given the memorial's deadline of November 30, 2021, to complete the study, HSD would need to incur costs in FY21 including staff and consulting costs to procure a consultant, conduct data analysis, establish a study methodology, and begin the study well in advance of the deadline. There is a risk that HSD would incur these costs in FY21 without adequate budget and that the inclusion of these costs in the FY22 budget might not be approved. HSD estimates that most of the costs for the study would be incurred in FY21 (\$50 thousand from the general fund), with a small amount to complete the study in FY22 (\$10 thousand from the general fund).

SIGNIFICANT ISSUES

HSD reports the federal Covered Outpatient Drug Rule (CODR) published in the Federal Register in February 2016 and incorporated into regulation at 42 CFR Part 447 required each state Medicaid agency to review their fee-for-service (FFS) dispensing fees for pharmacies. The rule redefines the dispensing fee as a professional dispensing fee (PDF) that covers other professional services that a pharmacy may provide in addition to dispensing a drug item. After reviewing detailed PDF studies and comparing New Mexico's PDF to other states in the region, New Mexico's PDF was recalculated from \$3.65 to \$10.30 per script in the FFS program.

It should be noted that in most states, PDFs vary between \$9 and \$12 per prescription. Below please find a table showing how New Mexico's professional dispensing fee (PDF) compared to other states in the region.

NM	AZ	CO	OK	TX	UT
\$10.30	\$10.11	Tiered rates based on volume ranging from \$9.31 to \$14.41	\$10.87	Formula based on acquisition cost, delivery method, and preferred/generic or name brand	\$9.99 - urban \$10.15 - rural

ADMINISTRATIVE IMPLICATIONS

HSD indicates the following administrative duties would be required in order to complete the

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study requested by HM25:

- Issue a Request for Proposals (RFP) to procure a vendor with expertise in data analysis and pharmacy reimbursement methodologies;
- Work with the vendor to develop survey instruments and methodologies consistent with federal CMS guidelines;
- Determine the best way of obtaining data on pharmacy costs in New Mexico; and
- Report to the LFC, LHHS, OSI and Governor about the study findings.

TECHNICAL ISSUES

House Memorial 25 resolves that funding for the pharmacy cost-of-dispensing study be included in the FY22 state budget appropriation for HSD. This could be considered as binding a future Legislature.

RAE/sb