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Pharmaceutical Outlook and Trends

Legislative Health and Human Services Committee
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Overview

- Rising Health Coverage and Pharmaceutical Costs
- Federal Pharmaceutical Outlook and Initiatives
- NM Medicaid Pharmaceutical Outlook and Quality Strategies
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Rising Health Insurance Prices

- The Centers for Medicare and Medicaid Services Office of the Actuary released its National Health Expenditures Projection report. Federal changes are expected to reduce enrollment in private health insurance and Medicaid, and to slow Medicaid spending growth through 2028.
- Despite these declines in coverage, the insured share of the population is projected at 90 percent in 2034. Health spending is expected to continue to grow more rapidly than GDP and disposable personal income.
- On a per enrollee specing basis, private health insurance, Medicare, and Medicaid are projected to increase above 5 percent per year between 2025 and 2034, and accountfor more than one-fifth of the economy by 2034.
- Citing inflation and rising health care costs, the Office of the Superintendent of Insurance (OSI) approved a 24.4 percent average premium increase on BeWellNM, the state's health insurance exchange. The increase is higher than the nationwide median increase of 15 percent and will take effect January 1, 2027.
- KFF reported premiums and out-of-pockets costs could be much higher than inflation associated with the cost of GLP-1 medications, hospital prices, and tariffs potential impact on imported drugs.

Rising Pharmaceutical Prices

- The Centers for Medicare and Medicaid Services (CMS) reported calendar year 2027 individual and state Medicaid costs for the Medicare Part D drug benefit are projected to increase an average 14 percent, the highest adjusted percentage increase since the program's inception. The increase reflects continued growth in high-cost specialty medications.
- New Mexico's Medicaid Part D is projected to increase 14 percent or greater, among the highest in the nation with a projected cost for the state's Medicaid program of approximately $10 million in FY28.

Federal Pharmaceutical Outlook

- Citing rising drug costs and shortfalls in federal funding, about 20 states are tightening eligibility requirements for patients in drug assistance programs. According to KFF health research, states are tightening requirements for people benefiting from the federal Ryan White AIDS Drug Assistance Programs which pay for HIV medications or provide them free and pay insurance premiums for others.
- The U.S. Health Resources and Services Administration (HRSA), at the request of pharmaceutical manufacturers, is considering moving to a rebate reimbursement model, rather than upfront discounts, for the 340(B) drug pricing discount program. New Mexico's safety net providers including most rural clinics, hospitals and some prisons participate in the 340(B) program where they buy prescription drugs for a 20 percent to 50 percent discount and are then required to reinvest those savings into healthcare for underserved populations. Providers say the proposed shift to a rebate-based model could increase administrative burden, create cash flow challenges, and introduce uncertainty around whether the full value of discounts will be realized.
- The New Mexico Primary Care Association indicated serveral pharmaceutical manufacturers have excluded New Mexico's federally qualified health centers (FQHCs) from federal 340(B) pharmaceutical pricing restrictions in compliance with the state's contract pharmacy access law which took effect January 1. New Mexico is the only state to enact a contract pharmacy access law in which the protections apply to just health centers rather than all covered entities. The federal 340(B) program requires pharmaceutical producers to sell discounted drugs to certain healthcare organizations, which then reinvest the savings into healthcare services for low- income persons.

Federal Pharmaceutical Pilot Programs

- The GENEROUS (GENErating cost Reductions fOr U.S. Medicaid) model launched January 2026 and aims to ensure fair and reasonable drug prices for Medicaid through CMS-led negotiations with drug manufacturers. Under the GENEROUS model, manufacturers will provide supplemental rebates to participating states for drugs included in the model to align Medicaid net prices with what certain other countries pay. The initiative will run for five years and is voluntary for manufacturers and states.
- CMS revised the deadline for states to apply to the GENEROUS model to September 10, 2026, and announced all states applied to participate in the initiative with 40 states signing agreements and remaining states having until September 30th to sign agreements.
- Starting July 1, people covered by Medicare were eligible to receive weight-loss drugs, or GLP-1s, for $50 a month through a federal pilot program. Coverage will last through the end of 2027. Prior to the pilot, Medicare covered GLP'1s only prescribed for conditions like diabetes, sleep apnea, or heart issues.
- The new pilot program expands coverage of drugs such Wegovy and Zepbound for people with obesity. The health benefits of weight loss can be considerable, but older people have unique issues to consider when taking GLP'1s including increased bone and muscle loss, dehydration, and reduced absorption of other medications.

Medicaid Pharmaceutical Outlook

- As states' Medicaid programs face budgetary pressures, several are considering dropping GLP-1 drugs for obesity treatment from their Medicaid programs.
- Thirteen state Medicaid programs are covering GLP-1s for obesity treatment, down from 16, including California, New Hampshire, Pennsylvania and South Carolina, not covering the drugs for weight loss alone.
- The New Mexico Health Care Authority's chief medical officer reports implementation of Medicaid's new preferred drug list (PDL) has been delayed from the beginning of the year to July 1, 2026, with a "soft launch" expected for a six-month duration. The delay gives Medicaid MCOs and Medicaid IT contractors more time to re-configure their IT systems. Expected PDL benefits include easier patient access to medications, cost savings, and drug utilization management.

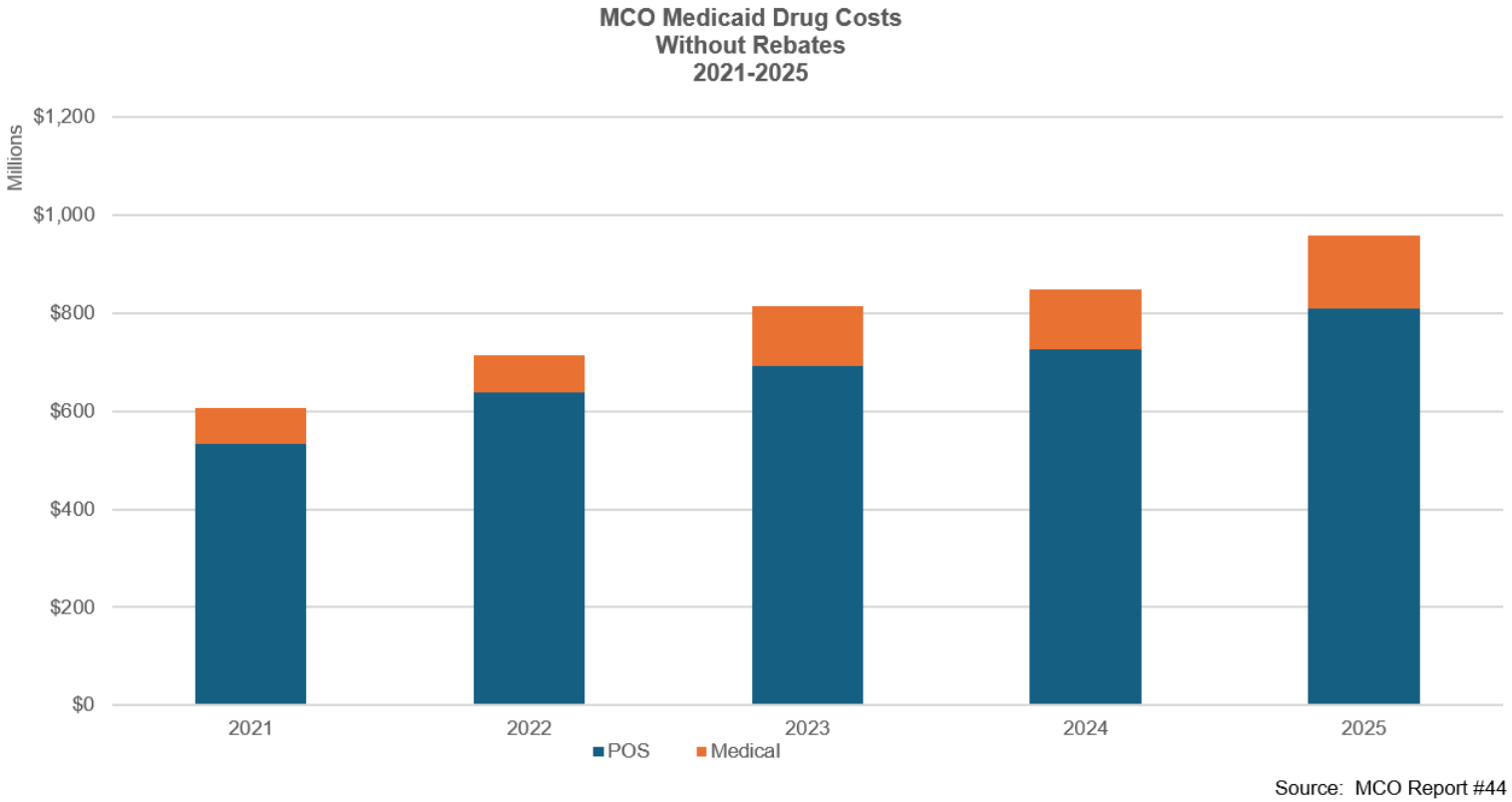
New Mexico Medicaid's Preferred Drug List

- NM's Medicaid program is implementing a statewide preferred drug list (PDL) standardizing medication coverage and ending variable formularies across MCOs and fee-for-service.
- A preferred drug list is a standardized list of medications the state recommends over others in the same therapeutic class based on clinical effectiveness and value.
- PDL will simplify prescribing and increase transparency and accessibility.
- PDL will focus on high-cost drug classes and not apply step therapy or prior authorization to medications used to treat rare diseases, autoimmune conditions, cancer, or substance use disorder.
- Prime Therapeutics was recently procured as the vendor to implement PDL.
- New Mexico Medicaid was one of a few states not collecting pharmaceutical supplemental rebates. PDL will help with advancing collection of Medicaid pharmaceutical supplemental rebates.

New Mexico Medicaid and GLP-1s

- In New Mexico, the Medicaid program covers GLP-1s for type 2 diabetes, metabolic steatohepatitis, obstructive sleep apnea, atherosclerotic heart disease, and child obesity at a cost of over $38 million in 2025.
- Consideration has been given in New Mexico's Medicaid program to expand the program's coverage of GLP-1 weight loss drugs to cover enrollees who are obese, particularly as the state's obesity rate increases. The Medicaid program currently covers some GLP-1s with a doctor's prior authorization and when the client has a body mass index over 40 or other risk factors.
- The program's cost for GLP'1s is significant and is largely responsible for increasing Medicaid's pharmaceutical expenditures in recent years.
- The Health Care Authority previously estimated it would cost a minimum of $9.5 million to further expand Medicaid coverage of GLP-1s for obesity.

New Mexico Medicaid Spending Has Increased for Point of Sale and Medical Pharmacy Costs



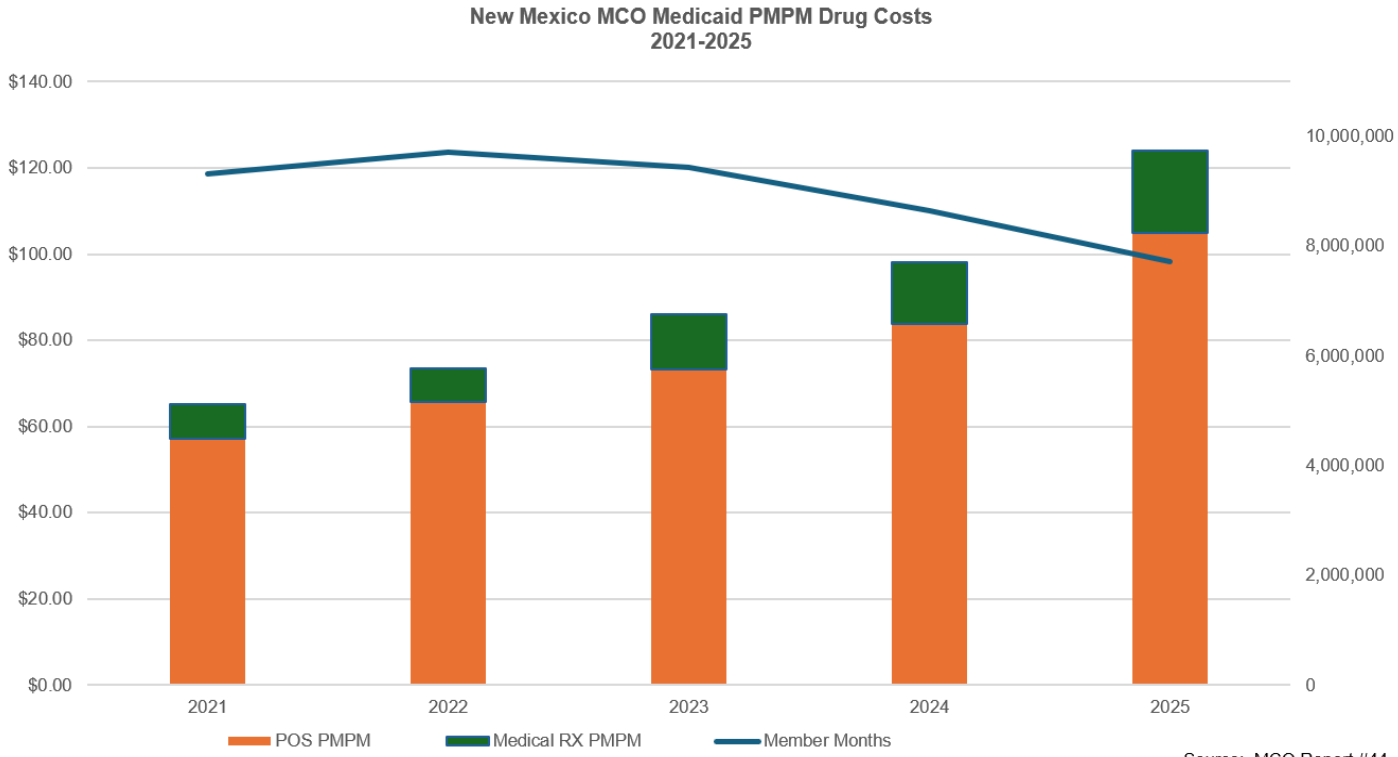
Source: MCO Report #44

Medical Pharmacy Costs have increased by 99 percengt between 2021 and 2025

Point of Sale (POS) Pharmacy Costs have increased by 52 percent between 2021 and 2025

Data does not include rebates

Overall Pharmacy Costs for New Mexico Medicaid Have Increased and Medical RX Costs are Rising Faster than Point Of Service RX Costs



Source: MCO Report #44

- Medical RX expenses increased in 2025 more rapidly than for POS RX.
- Highest costs for Medical RX are for cancer drugs.

Top Therapeutic Classes by Total Spend for 4Q 2023

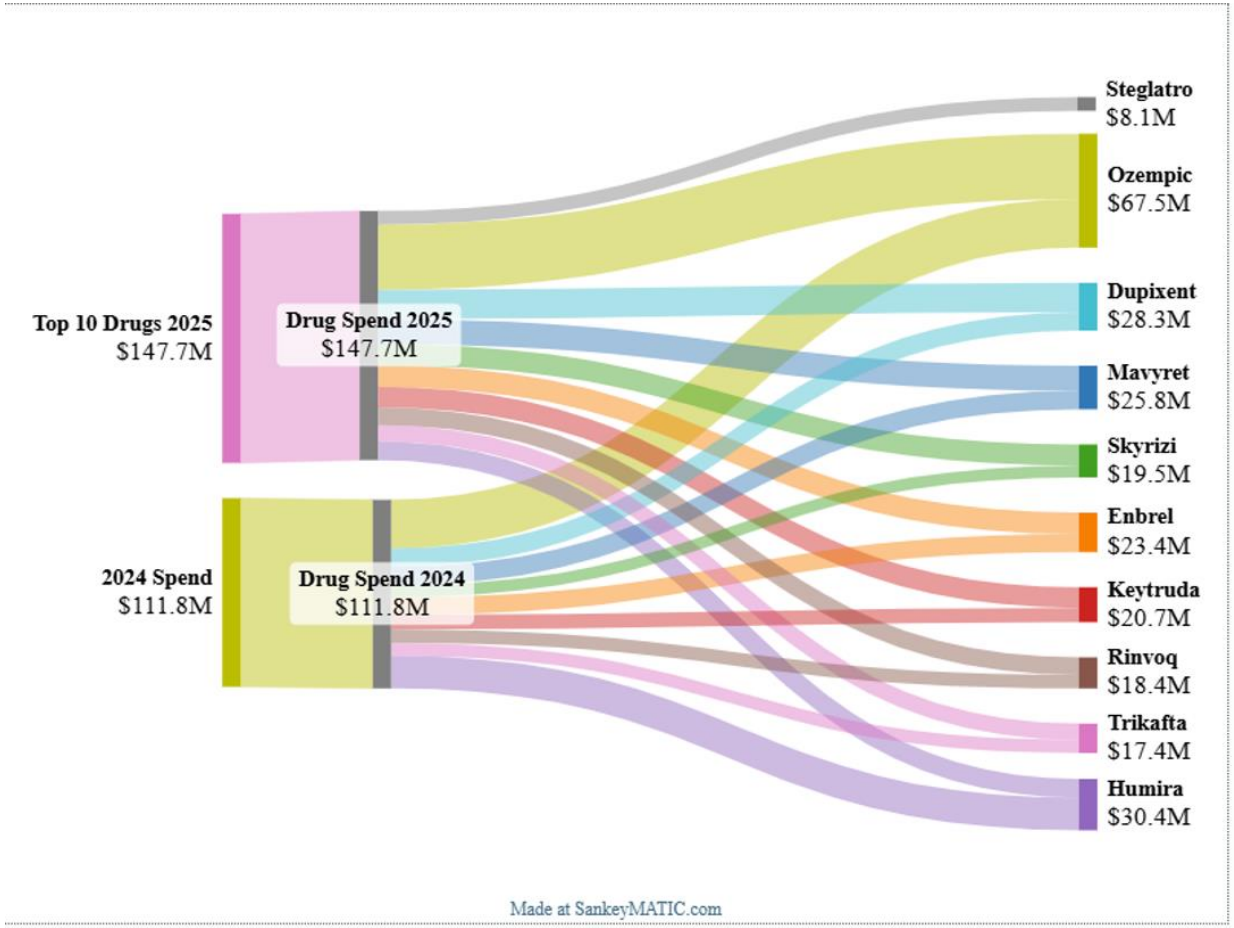
Therapeutic Class Code Description	Paid Amount	Cost/Claim
ANTINEOPLASTICS AND ADJUNCTIVE THERAPIES	$6,585,158	$2,929
ENDOCRINE AND METABOLIC AGENTS - MISC.	$1,518,204	$2,041
NEUROMUSCULAR AGENTS	$1,406,051	$851
HEMATOPOIETIC AGENTS	$1,144,030	$393
CONTRACEPTIVES	$1,104,957	$324
HEMATOLOGICAL AGENTS - MISC.	$1,065,235	$2,774
OPHTHALMIC AGENTS	$779,802	$954
PASSIVE IMMUNIZING AND TREATMENT AGENTS	$761,679	$2,395
GASTROINTESTINAL AGENTS - MISC.	$652,768	$547
ANALGESICS - ANTI-INFLAMMATORY	$297,831	$21

Source: MCO Report #44

Data does not include rebates

Top 10 Most Used New Mexico Medicaid Drugs and Costs Associated with Them

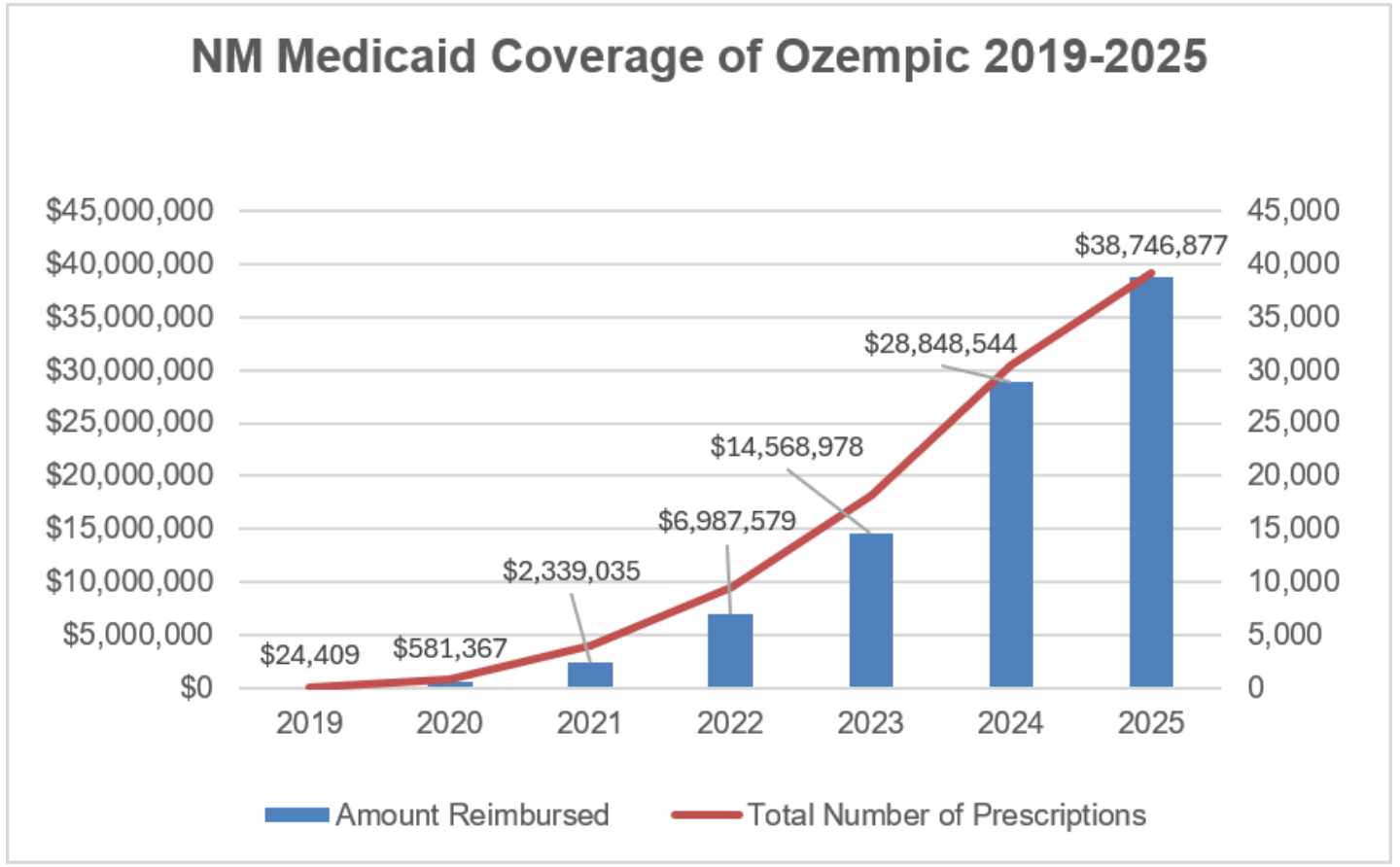
- NM's Medicaid program expended $119.3 million for the top 10 pharmaceuticals in 2022, and $148 million in 2025 - a 24 percent increase.
- The top 10 drugs driving costs were Humira (inflammatory conditions), Trulicity (diabetes, cardiovascular), Ozempic (diabetes, weight management), Biktarvy (HIV), Mavyret (hepatitis C), Buprenorphine (opioid use disorder), Enbrel (arthritis, psoriasis), Albuterol (bronchial dilator), Dupixent (dermatitis, asthma), and Keytruda (cancers).
- The top 10 drugs represent 20% of the total cost.
- GLP-1 drugs have shifted the composition of top Medicaid drugs.
- Costs for Humira and Trulicity have continued to increase due to Medicaid membership increases and cost per script increases. Patent expirations may shift costs as biosimilars become available.



Source: Medicaid SDUD

Data does not include rebates

GLP-1 Drug Utilization Continues to Rise With No Plateau



Reimbursable Uses of Ozempic Under Medicaid:

- Type 2 Diabetes
- Metabolic Steatohepatitis (MASH)
- Obstructive Sleep Apnea (OSA)
- Atherosclerotic Heart Disease (ASCVD)
- Child Obesity (early periodic screening and treatment, per CMS guidelines)

Other NM Pharmaceutical Issues

- The Attorney General's office reached a $2.25 million settlement with Mylan Inc., the pharmaceutical company producing EpiPen Auto-Injectors used as emergency treatment for severe allergic reactions. Mylan agreed to donate EpiPens to the state annually for the next five years and increase its copay coupon for generic EpiPens from $25 to $40.

- The University of New Mexico's College of Pharmacy is expanding rural pharmacy clinician services under the state's federal Rural Health Transformation grant administered by the Health Care Authority. The proposal requested $10.5 million over five years to add a projected 19 pharmacy clinicians annually practicing under federally qualified health centers, pharmacies, and other clinical settings.

OSI Prescription Drug Price Transparency Report

- The Office of the Superintendent of Insurance (OSI) continues implementation of findings from its 2025 Prescription Drug Price Transparency legislative report. OSI reported it will collaborate with the Department of Health to have access to the All Payers Claims Database to gather more data on prescription use and pricing in the state.
- The report highlighted prescriptions drug prices have outpaced inflation for multiple years and across multiple types of plans including Medicaid, Medicare, and self-insured/ERISA plans.
- In addition to being one of the most prescribed drugs, Ozempic, was also the costliest drug for insurers, with GLP-1 drugs overall having the highest annual cost.
- The report stressed increasing prescription pricing transparency through several potential options and interventions such as creating a prescription drug affordability oversight board, adding limits on pharmacy benefit managers, and standardizing manufacturer reporting requirements under state statute.

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For More Information

- https://www.nmlegis.gov/Entity/LFC/Default
  - Session Publications – Budgets
  - Performance Report Cards
  - Program Evaluations

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Appendices

Definitions

Carve In/Carve Out

- Carve in: Pharmacy benefits are included in MCO contract
- Carve out: Pharmacy benefits are not included in MCO contract with pharmacy benefits provided through FFS
- Hybrid: pharmacy remains carved in but the state selects a single PBM

Drug Carve Out: Certain drugs are carved out of MCO covered benefit and paid through FFS, eliminating MCO risk

Pharmacy Audits: Steps taken to identify potential audit triggers in a pharmacy practice (CMS guidance for conducting audit)

Prohibit Clawbacks/Retrospective Denials- State cannot reclaim payments, except for cases of fraud, abuse, or errors.

Maximum Allowable Cost (MAC)- Establishes a ceiling for reimbursement

Definitions

Spread Pricing Restrictions – The state pays only the actual cost of the drug and dispensing fee

Value Based Purchasing Supplemental Rebate Agreement- Additional rebates tied to drug's impact on Medicaid outcomes

Risk Corridors: State and MCO share risk by limiting the amount of potential losses beyond a set threshold

Risk Pools: A portion of each MCO's capitation rates are paid into the pool and funds are redistributed based on utilization

Prohibit Gag Clause- Pharmacies must be transparent if costs of drug are lower when paid out of pocket

Network Adequacy- Medicaid enrollees have access to an adequate number of pharmacies.

Reimbursement Requirement– Medicaid sets payment rate for drugs, dispensing fees