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## FISCAL IMPACT REPORT

SPONSOR: Aragon DATE TYPED: 02/21/01 HB \_\_\_\_\_  
 SHORT TITLE: Prescription Program Act SB 767  
 ANALYST: Wilson

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		See Narrative			

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates House Bill 877.

### SOURCES OF INFORMATION

Agency on Aging (AOA)  
 Health Policy Commission (HPC)  
 Attorney General's Office (AG)

No Response  
 Department of Health (DOH)

### SUMMARY

#### Synopsis of Bill

SB 767 resolves that the Department of Health shall establish a voluntary statewide program for certain New Mexican residents and senior citizens for access to affordable prescription medications. Subsidy grants will be paid directly to participating pharmacies and be fiscally monitored by an appointed Prescription Program Board, who will give annual progress reports to the Legislative Health and Human Services Committee and the Legislative Finance Committee.

#### Significant Issues.

- c The Department of Health (DOH) shall contract with prescription benefits managers, allow the purchase of medications by mail or through a pharmacy network, develop a formulary, and adjust the requirements and terms of the program to meet a new or existing federal drug program. DOH will undertake outreach efforts to build awareness about the program.
- c DOH will be responsible for the administration of the program, and will grant or deny application requests within 30 days of receipt of that request.

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- c A New Mexico resident is eligible to participate in the program if he does not have prescription drug coverage and has lived in the state for at least one year.
- c A senior citizen may qualify for a subsidy grant if he is at least 60 years old at the time of application, is ineligible for Medicaid and has lived in the state for at least on year prior to application.
- c The Department of Health will determine how much of a grant a senior citizen is eligible for by the following:

Annual Household Income	Subsidy Grant Amount
<\$12,700	90%
\$12,700 - \$14,800	80%
\$14,800 - \$17,000	50%
\$17,000 - \$19,100	20%
\$19,100 – 21,500	10%
>\$21,500	0%

- c A governor-appointed seven-member board shall meet at least four times a year to develop policies and procedures for the expenditure of Prescription Program Fund interest-generated income, and to oversee the DOH administration of the program.
- c No more than 10 percent of program funding may be spent to administer the program or for indirect costs.

**FISCAL IMPLICATIONS**

SB767 relies on private support and possible federal grants and support for funding. If the program is implemented , DOH will likely return to the legislature for operational funds.

**ADMINISTRATIVE IMPLICATIONS**

SB767 will require staffing and support services. However, the DOH has not provided any information.

**CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP**

Duplicates HB 877, Prescription Drug Program

Relates to:

- SB 140, Indian Prescription Drug Purchase
- SB 141, Prescription Drug Discount Act
- SB 142, Prescription Drug Fair Pricing
- SB 143, Prescription Drug Senior Program
- SB 144, Prescription Drug Bulk Purchasing

**TECHNICAL ISSUES**

SB 767 creates the non-reverting Prescription Program Fund, but does not appropriate any money. The AG has provided the following technical issue:

Eligibility for the program is not available to a resident who has prescription drug coverage under a '...health insurance plan or program:...'. This language would not explicitly exclude from eligibility those who have prescription drug coverage under non-underwritten programs, such as ERISA exempt programs or other programs which are not insurance (not underwritten). Residency requirements have been successfully challenged in some states as impeding the Constitutional right to travel and thus unenforceable. This residency requirement seems reasonable and thus more likely to successfully withstand legal challenge.

## OTHER SUBSTANTIVE ISSUES

The HPC provided the following:

- C The Prescription Program Fund (PPF) will be created through the utilization of federal grants, private sector funds, and be subject to legislative appropriations. It may be more logical to first have a study task force or committee to determine the availability and feasibility of receiving such funding from the private sector, the federal level, and the NM Legislature before creating a PPF.
- C Offering subsidy grants may require a permanent appropriation from the General Fund or continuous solicitation of donations and grants to continue the program through the years.
- C Medicaid currently only covers children 0-18, low-income families and pregnant women.
- C The 1999 Census Bureau Current Population Survey estimates 25.8% uninsured New Mexicans, compared to a national rate of 15.5%.
- C 21% of New Mexico's population lives in poverty compared to a national average of 11.8%
- C 50.4% of all New Mexico workers and family members had employment-based insurance coverage, which means the other half of working New Mexicans were not covered through their employers.
- C According to the Health Policy Commission 1999 Household Survey, 67% of 3,900 households surveyed needed access to prescription drugs, yet 70% of those surveyed had no way to pay for those drugs.
- C Uninsured people pay the highest cost for drugs.
- C Pharmacy costs have increased 15-20% between 1990 and 1998.
- C An increase of utilization and price of drugs, the use of higher-priced new drugs, and direct-to-consumer advertising has resulted in increased drug expenditures.
- C Seventeen states have begun pharmacy assistance programs, beginning with Maine in 1975.
- C Evidence suggests that more appropriate utilization of prescription drugs has the potential to lower total expenditures and improve the quality of care.
- C Studies have suggested that patients must improve ways on how physicians prescribe current medications and how patients use those medications.
- C A leading explanation for the sharp growth in drug expenditures is that prescription drugs are a substitute for other forms of health care.
- C Medicaid has income, resource and categorical requirements, which may be used for determining prescription drug program eligibility.
- C Pharmacies may be required to fill out more paperwork and deal with the bureaucracy of submitting claims and waiting for rebates.

DW/ar