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## FISCAL IMPACT REPORT

SPONSOR: HCPAC DATE TYPED: 03/15/01 HB 297/HCPACS/aHAFC  
 SHORT TITLE: NM Prescription Drug Discount Act SB \_\_\_\_\_  
 ANALYST: Dunbar

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	\$ 0.0	See Narrative			

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 2, HB 298, HB 299, HB300, HB 301, HB 302, HB 303, SB 98, SB 140, SB 143, and SB 144

Duplicates SB 142

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
		See Narrative		New Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Human Services Department (HSD)  
 Health Policy Commission  
 State Agency on Aging

### SUMMARY

#### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to CS HB 297 makes the following changes:

- Changing language in the bill to “making an appropriation”.

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- Modifying the income eligibility for the program from 300% of the federal poverty level to 200% of the federal poverty level.
- Removing Sections that contained the appropriations amounts

House Bill 2 contains \$3,700.0 for the program. The amount was reduced from \$5,000.0 to reflect the change in income eligibility for the program. The bill as amended duplicates SB 142.

### Synopsis of Substitute Bill

The bill appropriate \$5 million non-recurring from the general fund to a new created Prescription Drug Discount Fund for use by the Human Services Department (HSD) for FY02 and FY03 to design and implement a prescription drug discount plan under the state's Medicaid program that would provide prescription drugs only. The bill also provides for \$300,000 for 2001 and 2002 for waiver application and program administration. Unexpended and unencumbered amounts of this administrative money at the end of 2002 would revert to the general fund. The bill contains an emergency clause.

### Significant Issues

Eligibility for the program would include New Mexico residency, and having an income that is less than 300% of the federal poverty level. Income definitions would be the same as those used to determine Medicaid eligibility.

The bill would require HSD to apply for an 1115 waiver no later than October 1, 2001. The pharmacy will charge the member a price no more than the Medicaid price less an amount equal to the average rebate percentage as described in the bill. The State would pay to the pharmacy the rebate difference between the Medicaid price and the price paid by the pharmacy.

The bill creates a Prescription Drug Discount Fund in the State Treasury. All appropriations and money received for the program, including the manufacturers' rebates, would be deposited into the Fund. Money in the Fund would not revert at the end of the fiscal year. The department would administer the Fund and the Fund money would be used to reimburse the pharmacists. The bill language would limit the department to one percent of the annually received amount for program administration.

HSD would be required to publish in its monthly statistical report the number of program members, the amount of participating pharmacies, the total paid for prescription drugs under the program, the amount of manufacturers' rebates received, the volume of the top 50 prescriptions filled by type, and the average amount paid for each type.

### **FISCAL IMPLICATIONS**

The bill appropriate \$5,000.0 non-recurring from the general fund to the newly created Prescription Drug Discount Fund for FY02 and 03. The bill also provides for \$300.0 for 2001 and 2002 for waiver application and program administration. This will translate into \$600.0 after applying the federal match. Unexpended and unencumbered amounts of this administrative money at the end of 2002 would revert to the general fund.

Expenditures of this appropriation are contingent upon the department receiving a waiver from the federal Health Care Financing department of certain state plan provisions required pursuant to Title 19 of the federal Social Security Act.

The question needs to be asked: could this general fund appropriation result in leveraging \$14 million in federal funds?

### **ADMINISTRATIVE IMPLICATIONS**

The following concerns were expressed by HSD:

- c The deletion of the eligibility requirement contained in the original HB 297 that the individual not have other insurance coverage would mean that the program implementation would need to plan for operation of the program to consider other third party payers.
- c HSD would run the risk of having the new benefits group treat it as an entitlement, resulting in a risk of lawsuits if it were later cut back.
- c Creation and administration of a prescription drug discount fund by HSD would increase administrative resources necessary for program start-up.

### **RELATIONSHIP**

HB 2, General Appropriations Act of 2001  
HB 298, Indians: Prescription Drugs  
HB 299, Health Insurance  
HB 300, Prescription Drug Senior Program  
HB 301, Prescriptions: Fair Pricing Act  
HB 302, Prescription Drug Program: Seniors  
HB 303, Standard Co-Payments: Prescriptions  
SB 98, General Appropriations Bill of 2001  
SB 140, Indian Prescription Drug Purchasing  
SB 143, Prescription Drug Senior Program  
SB 144, Prescription Drug Bulk Purchasing

### **OTHER SUBSTANTIVE ISSUES**

The State Agency on Aging is concerned that there are no safeguards to keep suppliers from shifting the cost burden to other consumers.

The following data was provided by the HPC:

- c The Federal Poverty Level 300% is \$25,050 for single person, and \$51,150 for a family of four.
- c The 1999 Census Bureau Current Population Survey estimates 25.8% uninsured New Mexicans, compared to a national rate of 15.5%.
- 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.

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- 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 Seventeen states have begun pharmacy assistance programs, beginning with Maine in 1975, according to recent AARP statistics.

BD/njw:ar