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FISCAL IMPACT REPORT



SPONSOR: Taylor DATE TYPED: 02/05/02 HB 432

SHORT TITLE: New Mex RX Senior Program Act SB _____

ANALYST: Wilson

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|---------------|----------------------|---------------|
| FY02 | FY03 | FY02 | FY03 | | |
| \$24,000.0 | | | See Narrative | Recurring | General Fund |

SOURCES OF INFORMATION

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

SUMMARY

Synopsis of Bill

House Bill 432 appropriates \$24,000.0 from the General Fund to the Agency on Aging for the purpose of creating a prescription drug program for seniors with incomes below 100% of poverty. The program has an annual benefits cap of \$1200 per eligible senior and requires co-payments for prescriptions of \$3 per prescription for generics and \$7 per prescription for brand name drugs. Eligibility is dependent on having no other prescription drug benefit.

The duties of the AOA include enrolling and providing identification cards to eligible applicants, paying pharmacies based on AWP (average wholesale price) minus 12.5% plus a dispensing fee, adopting and using a formulary used by the Human Services Department for fee-for-service Medicaid. No more than one percent of the appropriation can be used by the AOA to administer the program HB 432 has an emergency clause

Significant Issues.

The AOA estimates that 20,000 seniors could qualify for the New Mex Rx Program statewide. Enrollment, eligibility screening and issuance of an identification card would require development of a data base system. A claims management system would also require development and implementa-

tion. Administrative costs for both systems would exceed the 1% limit on administrative costs in the bill.

The AOA believes that the Human Services Department is better suited to implement the program because it has most of the elements required of the program already in place, including a statewide system to screen and enroll applicants in local Income Support Division offices. The additional administrative costs to HSD to implement this program is unknown.

FISCAL IMPLICATIONS

The appropriation of \$24,000.0 contained in this bill is a recurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of FY2003 shall revert to the General Fund.

The AOA notes that not all of the \$24 million would be expended by the end of FY03 because not all enrollees would utilize the maximum \$1200 benefit. Any unexpended or unencumbered balance remaining at the end of the fiscal year 2003 would revert to the General Fund.

ADMINISTRATIVE IMPLICATIONS

The AOA does not currently have the systems or FTEs necessary to implement the program. AOA does not have a statewide system to enroll eligible individuals like HSD has with its local Income Support Division offices. The costs to develop and implement the program, if housed at the AOA, would exceed the 1% cap for administration.

RELATIONSHIP

Relates to:

- HB264 & SB226– Prescription Drug Fair Pricing Act.
- HJM41 – Requests a study of tax credits to offset prescription drug spending.
- SB253 – Provides for negotiated drug discounts in the Medicaid program.
- SJM23 – Requests the State Agency on Aging to develop a “brown bag assessment” of individuals’ prescription drug bundles.
- HB149 – An appropriation to study a means to use of Native American prescription prerogatives to develop a bulk-purchasing program.
- HJM21 – Requests the U. S. Congress to enact legislation establishing a single uniform federal “best price” for prescription drugs.
- SJM35 – Requests the Medical Assistance Division to identify all avenues to maximize prescription drug discounts using the federal 340B program.
- SJM22 – Requests the State Agency on Aging to work with drug manufacturers to simplify the application for manufacturer drug assistance programs and to conduct a pilot study.
- SB118 - An appropriation to expand prescription drug outreach programs by the State Agency on Aging.
- SB238 – Enacts the “Fair Drug Market Pricing Act.”
- HJM49 – Requests Retiree Health Care Authority to participate in the best possible multi-state prescription drug-purchasing cooperative.

OTHER SUBSTANTIVE ISSUE

The HPC provided the following:

HB 432 will help resolve or alleviate some prescription drug access issues for some of an estimated 68,000 seniors who have no prescription drug coverage in the state as of March 2000. This includes 3,396 thousand uninsured and 64,729 Medicare beneficiaries without supplemental insurance (private, Medicaid, Military Retirement). This estimate does not account for those under 100% of the Federal poverty level.

- The current prescription drug access study being conducted by the HPC, as well as a forthcoming household survey, will provide more accurate information on prescription drug coverage and access in New Mexico
- The Retiree Health Care Authority is one of the members of the consolidated purchasing Inter-agency Task Force (ITF) that was formed to negotiate more cost effective health coverage including prescription drug benefits. Providing a mechanism for seniors to buy into this program can offer an affordable way to cover costs for thousands of seniors.
- Medicare C-Plus covers prescription drugs but 15,000 seniors in New Mexico were dropped last year.
- Medicare Parts A&B do not cover prescription drugs for persons over 65, nor does the current State Medicaid program cover most seniors in New Mexico. However, until Medicare changes its policies, other alternatives such as this need to be explored.
- In 1999, Medicare beneficiaries age 65 and older spent 19% of their income out-of-pocket on health care, an average of \$2,430; 17% of this amount (\$410) was for prescription drugs. Spending on prescription drugs was much higher among beneficiaries who reported being in poor or fair health (\$605), or severely limited in their activities of daily living (\$595)
- Twenty-four other states (CA, CT, DE, FL, IL, IN, KS, ME, MD, MA, MI, MN, MO, NV, NH, NJ, NY, NC, PA, RI, SC, VT, WA, WY) currently have state pharmaceutical assistance programs to ensure that seniors receive coverage for or low cost prescription drugs. AARP believes Medicare should include a prescription drug benefit that is available to all beneficiaries. According to the AARP, it is ironic that while older Americans typically need more medication than younger people, most employer plans include and rely on prescription drug coverage as an essential tool for medical management, but Medicare still does not.
- Depending on the size of the discount and the specific drug being purchased, some seniors may be able to afford prescription drugs under this bill where previously they could not.

DW/ar