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FISCAL IMPACT REPORT



SPONSOR: Russell DATE TYPED: 1/31/02 HB HJM 41/aHTRC

SHORT TITLE: Tax Credit to Offset Prescription Drug Costs SB _____

ANALYST: Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
		NFI			

SOURCES OF INFORMATION

Health Policy Commission (HPC)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment changes the legislative committee that the Interagency Long Term Care Committee must report its finding to from the Health and Human Services Committee to the Revenue Stabilization and Tax Policy Committee.

Synopsis of Original Bill

HJM 41 requests that the cabinet level interagency committee on long-term care conduct a study on the costs and benefits of providing tax credits to offset prescription drug spending. Findings must be reported to the Interim Legislative Health and Human Services Committee in October 2002.

Significant Issues

HJM041, introduced for the Legislative Health and Human Services Committee and the Legislative Health Subcommittee, identifies the following:

- 21% of New Mexicans have no health insurance, and many who do have insurance do not have prescription drug coverage.
- Medicare does not cover outpatient prescription drugs.
- The uninsured population pays higher prescription drug prices because they lack access to nego-

tiated discounts.

- The chronically ill and others who cannot afford to pay the price of prescription drugs may subsequently go without medications, which could result in severe health consequences.

A tax credit to offset annual expenditures on necessary and expensive prescription drugs may assist the uninsured, low-income populations to purchase the medication they need.

The state has already removed gross receipts tax on prescription drugs.

FISCAL IMPLICATIONS

The cabinet level committee on long-term care can conduct the study within the resources of the member agencies.

ADMINISTRATIVE IMPLICATIONS

The HPC is available to assist on HJM 41. The committee on long-term care should utilize the resources of the HPC to review health care access problems and to collect and analyze health access data.

RELATIONSHIP

Related to:

HB0264 and SB226, Prescription Drug Fair Pricing Act
HB200 and SB091, Senior Prescription Drug Program
SB238 – Establishing a Pharmacy Drug Discount P
HB149, Native American Prescription Drug Program.
SJM 35m Maximize Prescription Drug Discounts

OTHER SUBSTANTIVE ISSUES

The HPC provided the following:

HJM 41 proposes a study to consider the cost and benefits of a tax credit on prescription drugs to determine if a credit will increase access for low income and uninsured populations. HJM 41 recognizes that New Mexico has a high number of uninsured and underinsured residents.

Medicaid has alleviated some of the burden through its coverage of children, pregnant women, low-income families with children, disabled persons, and the elderly, but there are still many low-income people – the working poor - who do not meet Medicaid's criteria and who have few options for receiving necessary prescription drugs.

High prescription costs affect the elderly, who live on fixed incomes, and depend on Medicare to take care of their medical needs. But Medicare does not pay for outpatient prescription medications unless consumers choose to pay for additional optional services.

The uninsured elderly do not have access to negotiated prescription drug discounts.

According to AARP:

- 80% of retirees use a prescription drug every day;
- The average Medicare beneficiary fills a prescription 18 times a year;
- Many people who have drug coverage don't have continuous coverage - nearly half of Medicare beneficiaries lack drug coverage at some point during the year;
- Americans age 65 and older account for over 40% of all drug spending, but represent only 12% of the population.

New Mexicans who need prescription drugs but cannot afford to pay regular prices for the drugs may depend on:

- Community health clinics, which often provide their patients with drug samples or assist them in enrolling in pharmaceutical discount programs;
- Purchasing prescriptions through the Internet;
- Purchasing drugs outside of the United States;
- Charitable organizations to assist them in buying medicine;
- Family members;
- Cutting in half the recommended dosage to extend the benefits.

Taking prescription drugs as needed, can prevent illnesses from getting worse, which could result in hospitalization and complications. If people cannot afford to pay high prices for their medication, they most likely will be unable to pay for high priced hospitalization.

DW/prr