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## FISCAL IMPACT REPORT



SPONSOR: Picraux DATE TYPED: 02/12/02 HB HJM 49

SHORT TITLE: Study Multistate Purchasing Cooperatives SB \_\_\_\_\_

ANALYST: Carrillo

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
		\$0.1	See Fiscal Implications section narrative		

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Relates to Appropriation in The General Appropriation Act

Duplicates/Conflicts with/Companion to/Relates to SB91, SB226, SB253, SB263, SB118, SB238, SJM23, SJM35, SJM22, HB200, HB264, HB149, HJM21, and HJM41

### SOURCES OF INFORMATION

Retiree Health Care Authority (RHCA)  
 Public School Insurance Authority (PSIA)  
 General Services Department (GSD)  
 Health Policy Commission (HPC)  
 State Agency on Aging

### SUMMARY

#### Synopsis of Bill

House Joint Memorial 49, Study Multistate Purchasing Cooperatives, requests the Retiree Health Care Authority (RHCA) study all existing multi-state bulk purchasing cooperatives to determine the potential for savings and discounts in purchasing pharmaceuticals. The RHCA is further directed to join the most advantageous multi-state effort that will provide the best discounted prices to persons other than those currently being served by the authority. to obtain the most favorable prices for pharmaceuticals and to allow certain nonmember seniors to purchase prescription drugs at discounted prices. Findings are to be reported to the Legislative Health and Human Services Committee at its October 2002 meeting.

Significant Issues

State Agency on Aging staff states senior citizens use more prescription drugs and pay the highest prices for drugs. Of the 215,000 senior citizen in the State, approximately 110,000 have no prescription drug benefit through an insurance plan and are paying full retail price for their prescription drugs, averaging \$1,756 per year (Kaiser report).

The Health Policy Commission (HPC) staff reports there are an estimates 68,000 to 110,000 seniors (estimate provided by U.S. Bureau of Census Current Population Survey, March 2000 and the State Agency on Aging) who have no prescription drug coverage in the state as of March, 2000. This group include 3,396 uninsured and 64729 Medicare beneficiaries without supplemental insurance (private, Medicaid, or Military Retirement). HPC included the following points in the agency analysis:

- The current prescription drug access study being conducted by the HPC and the forthcoming household survey, will provide for more accurate information on prescription drug coverage and access in New Mexico.
- Medicare C-Plus covers prescription drugs but 15,000 senior in New Mexico were dropped last year.
- Medicare Parts A & B do not cover prescription drugs for persons over 65. The Medicaid program does not cover most seniors in New Mexico.
- In 1999, Medicare beneficiaries age 65 and older spent 19 percent (approximately \$2,430) of their income on health care (out-of-pocket costs). Seventeen percent 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 who are severely limited in their daily living activities (\$595). (American Association of Retired Persons - AARP)
- Senior 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, by Medicare still does not. (AARP Congressional Testimony on February 20, 2000)
- Prescription drug spending in the United States has grown more than 10 percent per year since 1995, placing financial pressure on private and public programs. Such spending is likely to rise 15 percent to 18 percent through the year 2004. Medicaid expenditures from 1997 to 2000 grew at an average annual rate of 18.1 percent. (*Medicaid: Purchasing Prescription Drugs*. January 2000. Kaiser Commission on the Uninsured Policy Brief).
- The use of market power can control costs. For example, the Department of Defense and the Veterans Administration, through pooling drug purchasing, expect to save a total of \$1.9 billion over 5 years or \$383 million per year. Additional joint contracts are expected to save \$170 million per year for these agencies. (National Governors Association, *Pharmaceutical Purchasing Pools Issue Brief*, Health Policy Studies Division, October 24, 2001).

Staff from the General Services Department (GSD) notes the legislation directs an agency created by the state to provide services to people not affiliated with the agency's target population, which is a violation of the anti-donation clause of the New Mexico Constitution. As vulnerable as that population is and as worthy as is the effort to find some way to lessen the financial burden to that population for needed medication, this legislation is outside the authority of the RHCA.

Further GSD staff states the RHCA is funded from employee and employer contributions based on gross salary. Last year (2001 Legislative Session) contribution levels had to be increased for the RHCA to remain financially viable. Participation is mandatory. It is not legal to use that funding source to research and provide research for or access to prescriptions for another population.

Finally GSD staff notes the RHCA could not join a cooperative without complying with the competition provided for in the Procurement Code.

### **FISCAL IMPLICATIONS**

Retiree Health Care Authority (RHCA) staff indicates there will be no fiscal impact, assuming the “seniors who are not public retirees” are not subsidized by the RHCA, and they pay an administrative fee (as proposed in House Bill 200 or Senate Bill 91).

### **RELATIONSHIP**

- HB 264, Prescription Drug Fair Pricing Act
- SB 226, Prescription Drug Fair Pricing Act
- HB 200, Senior Prescription Drug Program
- SB 91, Senior Prescription Drug Benefit
- HJM 41, Tax Credit to Offset Prescription Drug Costs
- SB 253, Pharmaceutical Supplemental Rebate Act
- SJM 23, Prescription Drug Alternatives
- HB 149, Native American Prescription Drug Program
- SB 263, prescription Drugs Price Reporting
- SJM 21, Cabinet Level Department for Medicaid
- SJM 35, Maximize prescription Drug Discounts
- SJM 22, Free Prescription Drugs to Low-Income Seniors
- SB 118, Prescription Drug Outreach for Seniors
- SB 238, Fair Market Drug Pricing Act

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