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## FISCAL IMPACT REPORT

SPONSOR: Marquardt DATE TYPED: 3/08/03 HB 965

SHORT TITLE: Senior RX Act SB \_\_\_\_\_

ANALYST: Dunbar

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	\$5,000.0		Significant See Narrative	Recurring	Tobacco Settlement Program Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to: SB 391, HB 402, HB 513, SB 160 and HB 648.

### SOURCES OF INFORMATION

#### Responses Received From

Department of Health (DOH)  
Health Policy Commission (HPC)  
Human Services Department (HSD)

### SUMMARY

#### Synopsis of Bill

HB 965 appropriates \$5,000,000 from the tobacco settlement fund to the department of health in fiscal year 2004 for the development and implementation of the Senior Rx Program.

House Bill 965 entitled the “Senior Rx Act” creates a prescription drug program for seniors in the Department of Health (DOH). HB 965 would direct the DOH to enter into a contract with a private insurer(s) that transacts health or prescription drug insurance in the state to arrange for the availability, at a reasonable cost, of policies that provide coverage for prescriptions and pharmaceutical services.

The DOH would not permit the insurer(s) to impose a formulary that is more restrictive than a formulary the insurer concurrently offers in the commercial marketplace. Under the program, and subject to availability of state funds, a person who purchases an insurance policy would be entitled to a subsidy grant from the Senior Rx Fund to cover a portion of the cost of that insurance if the person meets the eligibility criteria established by the DOH.

The amount of the subsidy granted by the Senior Rx Act would not exceed the lesser of the annual cost of an insurance policy pursuant to the policy under the program or \$500 per year. Eligibility criteria for the Senior Rx Program include: 62 years of age, ineligible for Medicaid, ineligible for or unable to purchase other prescription drug coverage under a public or private insurance plan or program and has been domiciled in the state for at least one year.

Under HB 965, the DOH would be responsible for the development of an application process for receipt of applications for the program. Duties would include verification of domicile and income, review and analysis of complete applications and determination for a level of subsidy. Results of the process would be made to the applicant in writing and a reconsideration process for denials would be established.

The DOH would establish a schedule of available subsidy grants to assist eligible persons. The DOH would establish a sliding fee for the subsidy grants that would be based up a percentage of the federal poverty guidelines. The Department shall also consider the number of persons in the household and the total income of the household in which the applicant resides in the determination of the subsidy grant. Payments under the program shall be made directly to the insurer(s) under contract and notify the eligible person of the payment. If a payment were made to an individual that was later found to be ineligible, the DOH could take appropriate action to collect the amount of the payment. Funds recovered would be deposited in the Senior Rx Fund.

The Senior Rx Fund would be created in the State Treasury to carry out the provisions of the Senior Rx Act. The DOH would be authorized to transfer, federal, state or other public or private funds that may be received as matching funds to this account.

### Significant Issues

In New Mexico, an estimated 24% of the population is uninsured and nearly as many are insured but are without prescription benefits. There is a significant lack of access and affordability of prescription drugs for many of New Mexico's senior citizens. The monthly cost for senior citizens prescription drugs averages four hundred fifty dollars (\$450) per month. Many senior citizens are on a fixed income and are unable to afford prescription drugs. Some go without food and other essentials to buy medications, or do without drug therapy altogether

DOH states that it may be difficult to ascertain whether applicants have other prescription drug benefits. Applicants may be unwilling to disclose that they have other prescription drug benefits or might discontinue the benefit if they have access to the benefit proposed in HB 965.

### **FISCAL IMPLICATIONS**

The appropriation of \$5,000.0 contained in this bill is a recurring expense to tobacco settlement fund. Any unexpended or unencumbered balance remaining at the end of FY 04 shall revert to the tobacco settlement fund.

HB965 appropriates \$5,000.0 from the Tobacco Settlement Program Fund for a program that is not directly related to tobacco education, prevention or cessation, or to health costs associated with tobacco related illnesses.

## **ADMINISTRATIVE IMPLICATIONS**

HB 965 would have significant administrative impact on DOH since it does not contain an appropriation for DOH to carry out the provisions and existing staff could not conduct the development and implementation. Under HB 965, the Department would be required to contract with a private insurer(s) to obtain policies that contain coverage for prescriptions and pharmaceutical services for beneficiaries under the Senior Rx program. This procurement is quite involved and would require additional expertise from other Departments and agencies. This activity alone could consume a good portion of fiscal year 2004.

The Department would be responsible for establishing an application, developing criteria, appeals and collection for ineligible payments as part of the distribution of funds to contractors/insurer(s) on behalf of eligible seniors. The logistics for an effective program such as this would involve a statewide effort to reach the projected 10,000 eligible seniors. The implementation of this new effort and expenditure of funds in fiscal year 2004 may not be possible.

## **RELATIONSHIP**

HB 965 relates to other bills introduced concerning expanded benefits for seniors, including:

- HB 513, which proposes to create a Senior Prescription Drug Program.
- SB 391 (HB 402), which would establish a Waiver Program in the Human Services Department for eligible seniors to obtain prescription drugs. \$150,000 is to be appropriated from the General Fund for this purpose.
- SB 160 and HB 648 that would fund medical evaluations, pharmacist clinical services, prescription drug education and outreach.

## **TECHNICAL ISSUES**

“Reasonable cost” and “restrictive formulary” should be defined clearly.

## **OTHER SUBSTANTIVE ISSUES**

The pharmaceutical benefit coverage is very limited under Medicare. Medicare Plus Choice managed care providers are beginning to respond to recent federal reimbursement changes that allow them to continue and expand their current enrollments.

HB 865 would establish a program administered by the Department of Health to address some of the senior prescription medication issues. Estimates of amounts that seniors expend on prescription drugs far exceed the \$500 per capita amount proposed in HB 965. The bill would have a significant fiscal and administrative impact on DOH and the implementation of this new effort and expenditure of funds in fiscal year 2004 may not be possible.

In 2002, the Health Policy Commission performed a wide-ranging and extensive study on prescription drug access in New Mexico, in response to HJM 22 (2001). A major component of that study was a phone survey of 3,305 New Mexicans. Survey results found that of the 2,627 respondents who reported having a need for prescription drugs in the previous 12 months:

- The average annual out-of-pocket expense per household for prescription drugs was \$634.66.
- 12% had less than full access to the medications they needed.
- Of these, the populations that had the most difficulties with access were low-income persons, the uninsured, low/fixed income seniors, disabled persons and immigrants.
- Respondents who reported the poorest health status had the worst access.
- Persons who were eligible for prescription drug programs were often overwhelmed by the “amount of paperwork, bureaucracy, time and effort” necessary to navigate through the system.
  
- Seniors of all income categories reported spending more than any other group on their prescription medications.
  - Even seniors who are able to afford supplemental coverage often have difficulty paying for the premiums, co-payments and out-of-pocket expenses, regardless of their income.
  - Of survey respondents, 20% of seniors with incomes less than \$10,000 annually and 14% with annual incomes less than \$15,000 had less than full access to prescription drugs.

HB965 would increase access to needed prescription drugs for some seniors, but it is difficult to determine how many New Mexicans might actually benefit from this program, without information about the actual cost(s) of the insurance coverage, the amount of subsidy, the sliding scale details, etc.

**BD/sb**