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## FISCAL IMPACT REPORT

SPONSOR: Aragon DATE TYPED: 02/27/03 HB \_\_\_\_\_

SHORT TITLE: Medicaid Reimbursement for Product Selection SB 757

ANALYST: Weber

### APPROPRIATION

| Appropriation Contained |      | Estimated Additional Impact |               | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|---------------|----------------------|---------------|
| FY03                    | FY04 | FY03                        | FY04          |                      |               |
|                         |      |                             | See Narrative |                      |               |
|                         |      |                             |               |                      |               |

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

Responses Received From  
 Human Services Department (HSD)  
 Department of Health (DOH)

### SUMMARY

#### Synopsis of Bill

Senate Bill 757 (SB 757) seeks to amend Section 27-2-16 NMSA 1978 by removing subsection B, which requires the Medicaid program to reimburse pharmacies for the wholesale cost of the least expensive therapeutic drug in New Mexico plus a dispensing fee of at least \$3.65. This section only applies when product selection takes place under Section 26-3-3 NMSA 1978.

#### Significant Issues

HSD reports that most states, including New Mexico, base Medicaid pharmacy prescriptions drug reimbursement on a discounted average wholesale price (AWP). HSD describes this AWP as an excessively high cost.

In September 2002, the Department of Health & Human Services issued a report entitled "Medicaid Pharmacy – Additional Analyses of the Actual Acquisition Cost of Prescription Drug Products," which proposes a four-tiered reimbursement methodology based on the category of drugs. It found that the estimated discount to AWP for single source innovator drugs is 17.2%; for all drugs without Federal Upper-Limits (FULs) -- 27.2%; for multiple source drugs without

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FULs -- 44.2%; for multiple source drugs with FULs -- 72.1%. New Mexico pays AWP minus 12.5%.

HSD's position on this legislation is that Section 27-2-16 should not be deleted, but additional language should be added to allow any potential HSD contractors to negotiate an appropriate dispensing fee based on the population served, the medication involved and the location where the medication is dispensed. This would allow for a difficult to serve population or difficult to serve locations to potentially have a higher dispensing fee.

Changing this language would allow the managed care organizations (MCO) to independently negotiate dispensing fees, and could end the litigation surrounding this issue.

**FISCAL IMPLICATIONS**

There will be some impact on the pharmacy costs in the Medicaid program but currently these are not defined.

MW/ls