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FISCAL IMPACT REPORT

ORIGINAL DATE 2/7/06

SPONSOR SFC LAST UPDATED 2/15/06 HB _____

SHORT TITLE Transfer of Prescription Drug Funds SB 726/SFCS

ANALYST Lewis

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	3,271.6	Non-Recurring	Pharmacy Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Pharmacy Board /Regulation and Licensing Department (RLD)

Aging and Long-Term Services Department (ALTSD)

Health Policy Commission (HPC)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

The Senate Finance Committee substitute for Senate Bill 726 amends the Pharmacy Act to provide that Amounts paid into the pharmacy fund pursuant to Paragraph (2) of Subsection C of Section 61-11-14 NMSA 1978 are appropriated to the Board of Pharmacy for a prescription drug program for persons over the age of sixty-five; provided that the board enters into an arrangement with a state agency or a state-created entity for the operation of the program.

FISCAL IMPLICATIONS

No fiscal impact to the general fund. This bill simply appropriates existing funds from the Pharmacy Fund to the Board of Pharmacy, which will use the funds, as authorized by the General Appropriation Act (see narrative below) to pay costs associated with prescription drug programs for seniors operated by the Aging and Long-Term Services Department (ALTSD), the New Mexico Medical Insurance Pool (NMMIP), or for the transition associated with Medicare part D.

SIGNIFICANT ISSUES

The Pharmacy Act, in Section 61-11-14(C)(2), provides for a temporary increase in the maximum annual licensing fee for a wholesale drug distributor, drug manufacturer or drug warehouse to \$5,000, pending implementation of a Medicare prescription drug benefit program (now implemented as Medicare Part D). The increased fees are set aside, per Sec. 61-11-19(D), “for a prescription drug program for persons over the age of 65; provided that the board enters into an arrangement with a state agency or a state-created entity for the operation of the program.”

According to the Pharmacy Board, a joint powers agreement is in place through 2005 to fund a senior drug program administered through the New Mexico Medical Insurance Pool (NMMIP). The Pharmacy Board has accordingly collected and set aside \$3,271,585.98. However, there have been far fewer persons than expected enrolled in the NMMIP program, with the result that NMMIP has only billed the board a total of \$39,696 through July 2005. The total due to NMMIP will be somewhat higher, reflecting additional reimbursements through the end of 2005.

As a result, after meeting its obligations to NMMIP, the Pharmacy Fund has approximately \$3.2 million available for another prescription drug program for persons over the age of sixty-five.

Complicating the matter, the board has never (until now – see below) been given budgetary authority to spend the money collected for this purpose and has not been able to reimburse the NMMIP for its expenditures. As of 2/6/06, the Pharmacy Board indicated that an attempt was being made to amend House Bill 2 in the Senate to provide the necessary authority for the Pharmacy Board to reimburse NMMIP and to transfer the remaining funds to the ALTSD for a senior prescription drug program.

As of 2/15/06, the SFC amendment to the HAFC substitute for House Bills 2, 3, 4, 5, 6 and 78 (the General Appropriation Act) provides that the Board of Pharmacy may request budget increases from other state funds up to \$3,300,000 to pay the costs associated with prescription drug programs for seniors operated by the Aging and Long-Term Services Department, the New Mexico Medical Insurance Ppool, or for the transition associated with Medicare part D.

According to the Aging and Long-Term Services Department (ALTSD), with the funding made available to it by this bill, ALTSD will need to develop a reasonable mechanism to disburse the funds to the most appropriate and in-need seniors, so that the limited funds will have the greatest possible impact.

ALTERNATIVES

The Legislature could give specific direction to ALTSD, specifying those seniors who would be eligible for assistance, based on income and lack of eligibility for other prescription drug benefits