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HOUSE MEMORIAL 86

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

INTRODUCED BY

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A MEMORIAL

REQUESTING THE LEGISLATIVE FINANCE COMMITTEE TO ANALYZE AND
MAKE RECOMMENDATIONS REGARDING PRESCRIPTION DRUG COSTS AND
POSSIBILITIES FOR MAXIMIZING THE USE OF DISCOUNT DRUG PRICING
AVAILABLE UNDER FEDERAL LAW AND LEVERAGING THE STATE'S
PURCHASING POWER; REQUESTING THE OFFICE OF THE STATE AUDITOR TO
ASSESS FOR POSSIBLE DESIGNATION A STATE AGENCY OR AGENCIES FOR
A SPECIAL AUDIT WITH REGARD TO PRESCRIPTION DRUG PURCHASING
PRACTICES.

WHEREAS, in its 2013 report on health coverage for state
employees and retirees, the legislative finance committee found
that, despite an overall decline in state employee benefits
membership and a requirement to increase the use of generic
drugs, pharmaceutical costs continued to increase greatly; and

WHEREAS, between fiscal years 2014 and 2015, the average

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1 prescription drug costs for state employees covered through the
2 risk management division of the general services department
3 rose by fifteen percent, from sixty-five dollars seventy-five
4 cents (\$65.75) per prescription drug to seventy-five dollars
5 fifty-nine cents (\$75.59) per prescription drug; and

6 WHEREAS, between fiscal years 2014 and 2015, the average
7 prescription drug costs for public school employees covered
8 through the public school insurance authority rose by ten
9 percent, from sixty-seven dollars ninety-seven cents (\$67.97)
10 per prescription drug to seventy-four dollars seventy-five
11 cents (\$74.75) per prescription drug; and

12 WHEREAS, between fiscal years 2014 and 2015, the average
13 prescription drug costs for Albuquerque public school district
14 employees covered through the Albuquerque public school
15 district rose by thirteen and nine-tenths percent, from sixty-
16 nine dollars four cents (\$69.04) per prescription drug to
17 seventy-eight dollars sixty-four cents (\$78.64) per
18 prescription drug; and

19 WHEREAS, between fiscal years 2014 and 2015, the average
20 prescription drug costs for enrollees covered through retiree
21 health care authority plans who were enrolled in federal
22 medicare coverage rose by five and two-tenths percent, from
23 ninety dollars seventy-two cents (\$90.72) per prescription drug
24 to ninety-five dollars forty-six cents (\$95.46) per
25 prescription drug, while the average prescription drug costs

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1 for those retiree health care authority plan enrollees not
2 enrolled in medicare rose by four and four-tenths percent, from
3 eighty-three dollars forty-eight cents (\$83.48) per
4 prescription drug to eighty-seven dollars nineteen cents
5 (\$87.19) per prescription drug; and

6 WHEREAS, excluding prescription drugs for retiree health
7 care authority plan enrollees, prescription drug costs for
8 state employees covered through the Health Care Purchasing Act
9 rose on average by fifteen percent between fiscal years 2014
10 and 2015; and

11 WHEREAS, the corrections department's prescription drug
12 costs have risen precipitously in recent years, mostly due to
13 the high cost of drugs to cure hepatitis C, from approximately
14 five million five hundred thousand dollars (\$5,500,000) in
15 fiscal year 2015 to twelve million four hundred thousand
16 dollars (\$12,400,000) in budget requests for fiscal year 2016;
17 and

18 WHEREAS, the corrections department reports that its high
19 prescription drug costs are due largely to the fact that
20 roughly one-half of the inmates in corrections department
21 custody are living with hepatitis C; and

22 WHEREAS, the corrections department currently provides
23 prescription drugs and other health care to inmates in its
24 custody through a contract with a private, for-profit managed
25 care organization; and

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1 WHEREAS, under the federal 340B drug pricing program, the
2 federal government requires drug manufacturers to provide
3 outpatient drugs to certain eligible outpatient health care
4 providers at a significant discount; and

5 WHEREAS, historically, the corrections department availed
6 itself of the 340B program's deep discounts for prescription
7 drugs by contracting with the 340B-eligible department of
8 health to deliver health care to inmates living with HIV/AIDS
9 and hepatitis C; and

10 WHEREAS, the state's medicaid program, administered by the
11 human services department, budgeted one hundred forty million
12 dollars (\$140,000,000) for hepatitis C treatments in fiscal
13 year 2015 alone; and

14 WHEREAS, medicaid prescription drug costs rose by ninety-
15 five million dollars (\$95,000,000) in just one year, between
16 fiscal years 2014 and 2015, from two hundred fourteen million
17 seven hundred eight thousand five hundred eighty-eight dollars
18 (\$214,708,588) in fiscal year 2014 to three hundred nine
19 million seven hundred seventy-three thousand nine hundred
20 thirteen dollars (\$309,773,913) in fiscal year 2015; and

21 WHEREAS, the department of health, which spent fifteen
22 million six hundred seventy-five thousand five hundred fifty-
23 seven dollars (\$15,675,557) for prescription drugs and vaccines
24 in fiscal year 2015, has requested twenty-one million seven
25 hundred seventy-seven thousand dollars (\$21,777,000) in its

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1 budget request for fiscal year 2016 and a budget adjustment
2 request; and

3 WHEREAS, the university of New Mexico hospitals'
4 outpatient pharmaceutical costs are projected to rise by
5 twenty-three percent, or six million nine hundred sixty-eight
6 thousand four hundred thirty-four dollars (\$6,968,434), from
7 fiscal year 2015 costs; and

8 WHEREAS, some states are taking advantage of their
9 prescription drug purchasing power and see an opportunity to
10 increase that purchasing power through collaboration among
11 state agencies and through combining purchasing power with
12 other states; and

13 WHEREAS, the states of Washington and Oregon have
14 implemented a prescription drug discount card program for their
15 residents, offering discounts that reportedly average forty-two
16 percent off retail prices; and

17 WHEREAS, Delaware, Iowa, Maine, Mississippi, North Dakota,
18 Oregon, Utah, Vermont, West Virginia and Wyoming have recently
19 formed the sovereign states drug consortium, which is the first
20 state-administered multistate medicaid supplemental drug rebate
21 pool. Through the sovereign states drug consortium, these
22 states deal directly with drug manufacturers rather than
23 relying on middlemen, and they reap savings by directly
24 negotiating discounts and rebates; and

25 WHEREAS, Louisiana, Maryland, Connecticut, Delaware,

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1 Idaho, Nebraska, Pennsylvania and Wisconsin have reported
2 savings as much as twenty-seven million dollars (\$27,000,000),
3 nineteen million dollars (\$19,000,000) and sixteen million
4 dollars (\$16,000,000) for their medicaid programs achieved by
5 forming a buying pool organized by a third-party contractor,
6 called the state medicaid pharmaceutical purchasing pool, to
7 negotiate lower prescription drug prices for an estimated
8 overall one million three hundred thousand medicaid recipients;

9 NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF
10 REPRESENTATIVES OF THE STATE OF NEW MEXICO that the legislative
11 finance committee be requested to perform an analysis of
12 prescription drug costs across state agencies, including the
13 human services department; the department of health; the
14 children, youth and families department; the corrections
15 department; the university of New Mexico hospitals system; and
16 the agencies of the interagency benefits advisory committee;
17 and

18 BE IT FURTHER RESOLVED that the legislative finance
19 committee be requested to conduct an analysis of the potential
20 savings of slowing the growth of prescription drug costs
21 through consolidated purchasing among state agencies as well as
22 the potential savings by entering into prescription drug buying
23 pools or other such efforts to leverage buying power with other
24 states; and

25 BE IT FURTHER RESOLVED that the legislative finance

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1 committee be requested to explore the potential for the state,
2 by itself or in collaboration with other states, to use its
3 purchasing power to achieve discounts in prescription drug
4 costs for all New Mexico residents; and

5 BE IT FURTHER RESOLVED that the office of the state
6 auditor be requested to assess for possible designation for a
7 special audit pursuant to Subsection C of Section 12-6-3 NMSA
8 1978 the human services department, the department of health,
9 the children, youth and families department, the corrections
10 department, the university of New Mexico hospitals system, the
11 risk management division of the general services department,
12 the public school insurance authority, the Albuquerque public
13 school district or the retiree health care authority with
14 regard to prescription drug purchasing practices; and

15 BE IT FURTHER RESOLVED that the legislative finance
16 committee be requested to update its 2013 report on health
17 benefits for state employees and include in its analysis an
18 examination of the costs that prescription drugs represent for
19 state employees and retiree health care and an analysis of the
20 potential for achieving greater savings in prescription drug
21 costs through consolidated purchasing with other state agencies
22 and possibly other states; and

23 BE IT FURTHER RESOLVED that the legislative finance
24 committee staff be requested to report the findings of its
25 study to the legislative health and human services committee

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1 and to the legislative finance committee by December 1, 2016;
2 and

3 BE IT FURTHER RESOLVED that copies of this memorial be
4 transmitted to the governor, the state auditor, the chair, vice
5 chair and director of the legislative finance committee and the
6 chair and vice chair of the legislative health and human
7 services committee.

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