

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website ([www.nmlegis.gov](http://www.nmlegis.gov)) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 2/14/18

SPONSOR Steinborn LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Interagency Pharmaceutical Purchasing Council SB 8

ANALYST Chilton

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	NFI	Uncertain	Uncertain	Uncertain	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates House Bill 59

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Children, Youth and Families Department (CYFD)  
 New Mexico Public Schools Insurance Authority (PSIA)  
 Retiree Health Care Authority (RHCA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 8 would create an “Interagency Pharmaceuticals Purchasing Council” attached to the General Services Department. The council would be tasked with coordinating cost containment in purchasing medications and pooling the risk for the costs of medications among the agencies constituting the council. However, individual agencies would make their own drug procurement decisions, together with or independent from the council’s decisions.

Members of the council would include representatives of the following:

- 1) Human Services Department
- 2) Department of Health
- 3) Children, Youth and Families Department
- 4) Department of Corrections
- 5) General Services Department
- 6) Retiree Health Care Authority
- 7) Public School Insurance Authority

- 8) Albuquerque Public School District
- 9) Organizations representing county, municipal, or local governments that purchase medications (two members).

Included cost saving alternatives are specified to include the following:

- 1) Benchmarking medication prices against those obtained by the State Medicaid program,
- 2) Maximizing medical management
- 3) Establishing a common formulary for member agencies
- 4) Making a single purchasing agreement for all member agencies
- 5) Procuring a common source for expert services needed for minimizing cost
- 6) Consolidating purchasing and pooling risk among two or more member agencies
- 7) Consolidating purchases with other agencies within the United States
- 8) Participating in the federal pharmaceutical price discount program to the extent possible
- 9) Using generic medications when possible
- 10) Negotiating price reductions with pharmaceutical manufacturers and others involved in supplying medications

Agencies that would be included as potential beneficiaries of the cost-saving program developed are specified to include the agencies identified above as having membership in the Interagency Pharmaceutical Purchasing Council, as well as the Medicaid program, the University of New Mexico employee and retiree programs, the UNM Hospital, and any local, county, or city government wishing to participate.

## FISCAL IMPLICATIONS

Constituent agencies would expend personnel time on meetings and deliberations. However, there is the potential that agencies and state government as a whole would benefit from decisions made that would decrease drug procurement costs. The National Council on State Legislatures has compiled a publication regarding strategies states have taken to reduce drug acquisition costs. The 74-page document is available at <http://www.ncsl.org/documents/health/introandbriefscc-16.pdf>. The section dealing with Prescription Drug Agreements and Volume Purchasing is attached, and summarized below:

9. Prescription Drug Agreements and Volume Purchasing States use combinations of approaches to control the costs of prescription drugs including:
  - Preferred drug lists,
  - Extra manufacturer price rebates,
  - Multistate purchasing and negotiations, and
  - Scientific studies on comparative effectiveness.
  - Helps state government public sector programs operate more efficiently and cost effectively.
  - Holds down overall state pharmaceutical spending, but does not deny coverage or services to individual patients.

State Medicaid programs are using preferred drug lists, supplemental rebates and multi-state purchasing arrangements to save between 8 percent and 12 percent on overall Medicaid drug purchases.

## SIGNIFICANT ISSUES

CYFD states that it has made a strong and successful effort to control prescription drug prices and asserts that the effort has not reduced the quality of patient care:

The decrease in costs can be documented through the CYFD contract with Diamond Pharmacy. CYFD's cost of medication has decreased from \$127,358.74 in FY12 to \$82,100.52 in FY16. While CYFD shows a marked decrease in cost, this has not affected patient care. These efforts have been coordinated with our providers and by Formulary changes and use of MMCAP (Minnesota Multistate Contracting Alliance for Pharmacy). CYFD is currently involved in a multidisciplinary task force looking at the use of Psychotropic medicines for children in foster care. The task force is working on state standards of practice which will be shared with HSD, DOH, and the MCO's. CYFD's psychiatric team has been instrumental in coordinating the best practice approach to prescribing practices for children and adolescents.

CYFD further indicates that is part of a multi-state pharmaceutical agreement through the Minnesota Multistate Contracting Alliance for Pharmacy. In addition, CYFD participates in a multidisciplinary approach to the use of psychotropic medications by children in foster care.

The New Mexico Public Schools Insurance Authority (PSIA) states that it “currently serves as a member of the Interagency Benefits Advisory Committee (IBAC) along with the State of New Mexico (SONM), New Mexico Retiree Health Care Authority (NMRHCA) and Albuquerque Public Schools (APS). Combined, these organizations are governed by the Health Care Purchasing Act ("HCPA") (NMSA 1978 § 13-7-1) that requires the collaboration of resources toward the procurement of health care benefit related services including pharmacy benefit management (PBM) services as described by SB8.”

PSIA indicates that it contracts with the pharmacy benefit manager Express Scripts, which brings the force of 95 million members to drug pricing negotiations. PSIA expresses concern that participating in joint purchase agreements might reduce the cost efficiencies of its current arrangements, and is apprehensive that “isolating the services of pharmacy benefit management services will have a negative impact on all other categories NMPSIA purchases and oversees under the Employee Benefits Program.”

RHCA states that “the IBAC, with NMRHCA serving as the procurement manager, recently completed a request for proposal (RFP) for procurement of pharmacy benefit management services to become effective July 1, 2018 for one year and renewal for up to three additional years. The results of the RFP will be available in the spring.”

**DUPLICATION** of House Bill 59.

## ALTERNATIVES

PSIA suggests that “perhaps it would be appropriate to provide other public sector employer groups (i.e., non-IBAC members) the opportunity to participate in the contract negotiated every four years by the IBAC on a voluntary basis.”

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Agencies named and others within the state would make decisions regarding cost containment measures to undertake without meeting to consider strategies undertaken within certain agency(ies) that might provide cost containment for other agencies. IBAC members (the State of New Mexico, RHCA, PSIA, and Albuquerque Public Schools) would continue to benefit from their joint strategies and purchasing strength.

LAC/jle