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FISCAL IMPACT REPORT

SPONSOR: SPAC DATE TYPED: 03/07/03 HB _____

SHORT TITLE: Medical Insurance Pool Prescription Drugs SB CS/754/aSCORC

ANALYST: Geisler

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			NFI		

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with: HB 832 and SB 778
 Relates to: SB 160, HB 402, HB 103

SOURCES OF INFORMATION

Public Regulation Commission (PRC)
 Department of Health (DOH)
 Health Policy Commission (HPC)

SUMMARY

Synopsis of SCORC Amendment

The Senate Corporation and Transportation Committee amendment makes a few small language changes and clarifications. In addition, a new subsection F. is included that reads:

“F. If the board establishes a prescription drug program, the board shall cooperate with other state and federal prescription drug initiatives.”

Synopsis of Original Bill

The Senate Public Affairs Committee Substitute for HB 754 adds a new section to the Medical Insurance Pool Act (59A-54 NMSA 1978) to empower the Medical Insurance Pool Board to establish a prescription drug program for Pool beneficiaries, and to determine eligibility, cost sharing, and dispensing criteria.

Significant Issues

The changes to the act are as follows:

- Authorizes the Board to establish a prescription drug program, in whole or in part, including a pilot or phase-in program.
- The Board may determine levels of eligibility and cost sharing criteria.
- The Board may establish how much an eligible individual will pay through a premium, deductible, coinsurance, co-payment and other out-of-pocket expenses.
- If the Board establishes a prescription drug program, they shall also establish the assessments pursuant to Section 50A-54-10 NMSA 1978.

The changes to **Section 50A-54-10** indicates that, if the drug program is established, the assessment for a pool member shall be determined in the same manner as other assessments, with the provision that pool members shall be allowed a 50% credit on their premium tax for that member.

The changes to **Section 59A-54-12** indicates that the Board may issue a prescription drug benefit policy for a person who is:

- Over 65 years old and unable to purchase, or is ineligible for, a similar prescription drug program,
- Eligible for a State-funded or operated low-income pharmacy benefit program.

RELATIONSHIP

Relates to:

SB 160, Prescription Drug Programs
HB 402, Prescription Drug Waiver Program for Seniors
HB 103, Prescription Drug Co-payment Standard

OTHER SUBSTANTIVE ISSUES

Additional background as follows was provided by the HPC:

Prescription Drugs in New Mexico

- Between 2001 and 2002, New Mexico experienced a 4.5% increase in the number of prescriptions issued, and a 9.5% increase in the average price of prescription drugs.
- 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.

- The HPC study also found that seniors and others needing prescription drugs often have to choose between buying groceries or buying medicine, take half dosages rather than the prescribed full dosage, or simply go without their drugs.
- Although community and safety-net providers around the state strive to offer enough resources to assist their most vulnerable residents through a variety of discount programs, charity organizations, indigent fund services and a limited supply of free sample medications, these resources are simply not substantial enough to meet the needs of New Mexicans.

National Initiatives

- Medicaid beneficiaries and the uninsured face similar access difficulties to prescription drugs – 26% of Medicaid beneficiaries and 29% of the uninsured population report significant difficulty accessing needed drugs.
- 12.5% of Medicare beneficiaries have no form of supplemental insurance at all. Their incomes are too high for Medicaid, but too low to bring a supplemental policy within reach. Among this group, those who have greater health care needs clearly face the greatest barriers to access.
- Approximately 32 states have programs in place or authorized that provide some sort of prescription drug coverage, mostly for low-income seniors and/or disabled persons.
- 26 states have subsidy programs that provide assistance with prescription expenses for seniors and other categories of residents.
- An additional 6 states have discount only programs, with no state subsidy, that provide prescription drugs at a reduced cost to eligible seniors.

Other Issues

- The Medical Insurance Pool program was created to provide access to health coverage for all New Mexicans who are denied adequate insurance and considered uninsurable. All insurers who wish to do business in the state must be members of the Pool.
 - By authorizing the Board to establish a prescription drug benefit, SB754 expands the promise of access created by the original statute.
- Many people who have health insurance have limited prescription drug coverage – or no drug coverage at all. SB754 allows the Pool Board to extend its prescription coverage to Medicare and Medicaid eligible individuals, when they lack access to prescription drugs.
 - Medicare does not provide outpatient prescription drug coverage. To pay for the often-substantial costs not covered by Medicare, and to seek prescription drug coverage, beneficiaries must rely on other sources – or go without: recent estimates are that at any given time, over 30% of Medicare beneficiaries lack prescription drug coverage.
 - A new study from the Center for Studying Health System Change (HSC) shows that “the prescription drug access problems experienced by Medicaid beneficiaries are virtually the same as the uninsured” – 26% of Medicaid beneficiaries and 29% of the uninsured population report significant difficulty accessing needed drugs (HSC News Release, April 9, 2002).
- Despite their growing cost, prescription drugs are a ever-more important component of modern medicine: “evidence suggests that more appropriate utilization of prescription

drugs has the potential to lower total expenditures and improve the quality of care” (Employee Benefit Research Institute).

- The Medicaid Reform Committee recommended that cost-saving studies and initiatives be undertaken to provide access to prescription drugs for all New Mexicans.

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