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FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/06

SPONSOR Rainaldi LAST UPDATED HB

SHORT TITLE Discount Prescription Drug Program SB 460

ANALYST Lewis

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY06	FY07	FY08	2-Year Total Cost	Recurring or Non-Recurring	Fund Affected
Total		55.1	45.1	100.2	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB 515.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Retiree Health Care Authority (RHCA)
 Human Services Department (HSD)
 Aging and Long-Term Services Department (ALTSD)
 Health Policy Commission (HPC)

SUMMARY

FOR THE PUBLIC EMPLOYEE BENEFITS OVERSIGHT SUBCOMMITTEE

Synopsis of Bill

Senate Bill 460 changes the name of the Senior Prescription Drug Program to the Discount Prescription Drug Program and eliminates the age requirement for participation in the program.

FISCAL IMPLICATIONS

According to the Retiree Health Care Authority (RHCA), direct fiscal impact to RHCA from this amendment would be additional staff time required to enroll members and raise public awareness of the program. RHCA estimates that one additional FTE would be required (an Eligibility Interviewer, Government Programs – Advanced (Pay Range 55)), at a midpoint annual salary of \$35,100. The cost of communicating the program expansion is estimated at \$20,000 in FY07, and \$10,000 thereafter for general communication. The telephonic enrollment system will continue to cost about \$10,000 per year.

SIGNIFICANT ISSUES

By eliminating the age requirement of 65 years, this bill would make all residents of New Mexico eligible to participate in the Discount Prescription Drug Program.

According to the Retiree Health Care Authority (RHCA), RHCA's current contract with Express Scripts, Inc. (ESI) for the Senior Prescription Drug Program (SPDP) does not provide for any direct compensation from the agency. Members pay 100% of the discounted costs for drugs. No manufacturer rebates are generated from sales. ESI collects a dispensing fee of \$1.50 per mail order prescription and pays RHCA an administrative fee of \$2.00 per drug claim adjudicated through the mail service pharmacy (650 mail order prescriptions were filled in CY05).

Although RHCA is authorized to assess an annual enrollment fee of up to \$60 per member, it has never needed to do so. RHCA has received a \$10,000 General Appropriation annually to administer this program; and telephonic enrollment system fees average about \$800 per month, or about \$10,000 per year. Currently, RHCA staffs the SPDP, and the RHCA fund is reimbursed from the SPDP fund.

RHCA notes that Medicare Part D provides a prescription drug benefit for those 65 and over who have no other benefit. However,

- there are gaps in coverage;
- not all can afford the premium; and
- those under 65 are not eligible.

The Discount Prescription Drug Program would assist in all three cases.

RHCA also notes that the Interagency Benefits Advisory Committee is currently in the RFP process for a Pharmacy Benefit Manager (PBM), effective 7/1/06, with the award expected to be announced any day. The SPDP was included in the RFP.

The Human Services Department (HSD) notes that this bill is similar to Senate Bill 689, enacted in 2005, that directs HSD, with the cooperation and assistance of the Department of Health (DOH) and the Aging and Long-Term Services Department (ALTSD), to establish a prescription drug discount card program for New Mexico citizens who are under age 65 and do not have any other prescription drug benefit. According to HSD, that program is in the process of being implemented. And ALTSD notes that the agencies are currently analyzing proposals from several entities interested in marketing a discount card program for individuals and families who are under the age of 65.

HSD notes that this bill both duplicates and conflicts with that prior legislation, and argues that the Retiree Health Care Authority is not the appropriate agency to be administering a discount prescription drug program. HSD asserts that the program would be more appropriately administered through collaboration between The Aging and Long-Term Services Department, the Human Services Department and the Department of Health.

Also taking note of the 2005 legislation described above by HSD, the Health Policy Commission (HPC) asks, "Is it the intent of the bill to move this program from HSD to the Retiree Health Care Authority?"

ADMINISTRATIVE IMPLICATIONS

RHCA notes that, in addition to the one FTE recommended above, additional time would be required of RHCA administrators to implement the expansion and oversee the program.

OTHER SUBSTANTIVE ISSUES

An advantage to this bill's expansion of the RHCA-administered Discount Prescription Drug Program, as compared to the alternative HSD program, is that the RHCA program would be available even to those New Mexicans who already have some prescription drug benefit. By contrast, the HSD program will not be available to anyone with an existing prescription benefit, no matter how limited that benefit may be.

Furthermore, while the RHCA program is already up and successfully running, the HSD plan has not yet launched. None of the agency analyses suggest that there would be any specific cost or other benefit to having two separate programs offering similar benefits to the two different age groups.

ALTERNATIVES

HSD, DOH, and ALTSD will continue to work on the process of creating and implementing a discount card program for individuals under the age of 65.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

RHCA's discount card program will remain limited to individuals over age 65 program.

ML/yr