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FISCAL IMPACT REPORT

ORIGINAL DATE 02/14/06

SPONSOR Feldman LAST UPDATED _____ HB _____

SHORT TITLE SUPPORT FEDERAL MEDICARE CHANGES SM 8

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)
Department of Health (DOH)

SUMMARY

Synopsis Senate Memorial 8

Senate Memorial 8 makes the following observations.

- the Medicare, part D program is proving to be one of the most complicated programs ever created with significant and serious implementation problems; and
- the benefits promised to senior citizens are not being realized because the program is so difficult to understand; and
- a dire need exists to revise the program so that the program can provide the promised benefits.

The memorial requests that due to the preceding conditions that the members of the New Mexico congressional delegation be requested to support the following changes to the Medicare, Part D program.

- elimination of the penalty for all Medicare-eligible individuals who do not enroll by May 15, 2006;

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- inclusion of a requirement that the prescription drug plans drop coverage of drugs on their formularies only after one year advance notice to coincide with the annual open enrollment period, except that drugs that have been determined to be dangerous or removed from the market may be dropped as necessary;
- standardization of the formulary design so that each plan has the same number of tiers and requirements for coverage;
- modification of the requirements about what can be counted toward a Medicare beneficiary's true out-of-pocket cost to include all prescription drugs purchased on behalf of the beneficiary regardless of where the drugs have been purchased; whether the drugs have been purchased through a state pharmacy program or with a discount drug card; or whether the drug is on the formulary of the beneficiary's plan;
- assurance of transparency so that states know the cost negotiated by the prescription drug plan to ensure that all negotiated rebates are passed through to the beneficiaries; and
- institution of price negotiation for the purchase of prescription drugs for the Medicare program, similar to the provisions already in place under Medicaid and the veterans' administration;

It is further requested that copies of this memorial be transmitted to each member of the New Mexico congressional delegation.

SIGNIFICANT ISSUES

Human Services offers the following comments.

Significant problems regarding access to drugs and the cost of drugs for the new Medicare Part D beneficiaries have been reported nationally. All the provisions in this memorial would lessen the problems and financial burden of low income Medicare Part D recipients. There would likely be increased costs to the federal government if these changes were to be made.

Formulary changes without adequate notice are a significant problem for all recipients.

Because of the significant implementation issues, eliminating the late penalty for late enrollment would allow additional time for the Centers for Medicare and Medicaid Services to iron out these issues.

A change in the definition of True Out Of Pocket (TrOOP)/Incurred Costs would more accurately count recipient expenses that are tied to increased program benefits.

Federal legislation is being introduced to help rectify problems associated with the new Medicare Part D benefit. This memorial would give non-binding direction to the New Mexico congressional delegation on how to react to this legislation.

MW/nt