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FISCAL IMPACT REPORT

ORIGINAL DATE 01/25/12

SPONSOR Jennings LAST UPDATED _____ HB _____

SHORT TITLE Notice Before Removing Drugs from Formularies SB 108

ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY12	FY13	FY14	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$200.0-\$300.0				Other State Funds

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Insurance Authority (PSIA)

General Services Department (GSD)

Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of Bill

Senate Bill 108 (SB 108) amends state statutes relating to health insurance and requires 60 day notice to enrollees prior to 1) moving drugs to higher-cost tiers, 2) removing from formularies unless to a lower-cost tier, or 2) increasing cost-sharing for a drug during the contract year.

FISCAL IMPLICATIONS

Health plans may change prescription drug copay levels or remove drugs from formularies without prior notice.

The Interagency Benefits Advisory Committee (IBAC) cautions against state policies which limit the way in which the state's self-insured health plans respond to market conditions.

SIGNIFICANT ISSUES

A large number of drugs will be losing patent protection over the next few years. This bill would prevent a brand-name drug from being removed from a health plan's drug formulary without 60 days notice, which may discourage the use of its generic equivalent during that time.

PERFORMANCE IMPLICATIONS

IBAC entities enjoy a higher generic dispensing rate compared with their industry peers.

ADMINISTRATIVE IMPLICATIONS

The Patient Protection and Affordable Care Act requires in 2012 that health plans keep a “summary of benefits and coverage” up-to-date by giving at least 60 days’ advance notice to enrollees of all *material* changes to their plans.

OTHER SUBSTANTIVE ISSUES

Pharmaceutical companies have a very long term (frequently 20 years or longer) lock on a drug as a brand-name drug which for patent reasons cannot be produced as a generic drug.

Higher copays may result in non-use of prescriptions, thus rendering someone who is "insured" effectively "uninsured" because they are unable to pay higher copays. Thus there is a balance to be achieved: a high enough copay to deter unneeded expenses but low enough to not render the insurance useless.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The state’s health plans will continue to support members’ using a lower-cost generic equivalent as soon as possible after a brand-name drug loses patent protection.

AHO/svb