

<b>LFC Requester:</b>	<b>Eric Chenier</b>
-----------------------	---------------------

**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:**

[LFC@NMLEGIS.GOV](mailto:LFC@NMLEGIS.GOV)

*and*

[DFA@STATE.NM.US](mailto:DFA@STATE.NM.US)

*{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Check all that apply:  
**Original**     **Amendment**      
**Correction**     **Substitute**   

**Date** 1/19/24  
**Bill No:** HB165

**Sponsor:** Rep. Gail Armstrong  
**Short Title:** PHARMACY PROVIDER REIMBURSEMENT

**Agency Name and Code**    HCA-630  
**Number:** \_\_\_\_\_  
**Person Writing**    Janet Reese  
**Phone:** 505-795-4614    **Email** Janet.Reese@hds.nm.gov

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
0	\$7,500,000	nonrecurring	GF

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
0	N/A	N/A	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>	0	Significant fiscal impact to HSD likely; see fiscal implications for more detail			recurring	GF/Federal Medicaid Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis: HB165 would amend the Public Assistance Act to require Medicaid Managed Care Organizations to reimburse community-based pharmacy providers to cover the cost of ingredients for medications dispensed with a predetermined reimbursement methodology (NADAQ) plus a uniform professional dispensing fee (PDF). There would be a PDF study with each new MCO procurement. In the interim, the bill directs the state to dispense a \$10.30 PDF for both fee-for-service and MCO members to align with the state plan.

**FISCAL IMPLICATIONS**

Currently MCOs pay a professional dispensing fee somewhere between \$2.00 and \$10.00 for community pharmacies depending on the MCO, the PBM and their contract with the pharmacy. The FFS program currently pays \$10.30 for all pharmacies. The current methodology for payment to community pharmacies is NADAQ or the ingredient cost submitted by the pharmacy, whichever is lower.

In CY 2022, 78 community pharmacies received Medicaid payments totaling \$36,741,100 for both fee-for-service (\$1,040,100) and managed care (\$35,701,000).

If the adoption of this bill resulted in a 5% increase in the reimbursement to community-based pharmacies (for example), it would cost the Medicaid program an additional \$1,837,100 (\$325,600 GF) in FY 2024. Maintaining increases will have an impact on subsequent budget requests for the department, and HB165 only allows for non-recurring appropriations in FY25.

Additionally, the work involved in setting a separate PDF for pharmacies and securing federal approval would require a contract of at least \$100,000 plus 1 FTE costs for HSD.

**SIGNIFICANT ISSUES**

HB165 would require the establishment of a separate dispensing fee for community pharmacies based on their dispensing costs, which would require federal approval. HCA is uncertain whether a separate dispensing fee for certain providers would be allowed under federal rules.

**PERFORMANCE IMPLICATIONS**

None

**ADMINISTRATIVE IMPLICATIONS**

HB 165 would also require a professional dispensing fee study to occur with every Medicaid

managed care procurement. Changing the professional dispensing fee within the fee-for-service population would require a federal approval through state plan amendment.

The bill only contains an appropriation to fund the staffing or administrative costs that would be involved in this work for FY25, however all staffing and administrative costs will be needed beyond FY25.

No IT impact.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

None

**TECHNICAL ISSUES**

HCA is uncertain about its ability to secure federal approval for a separate dispensing fee for community pharmacies.

**OTHER SUBSTANTIVE ISSUES**

None

**ALTERNATIVES**

None

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

Status quo

**AMENDMENTS**

None