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FISCAL IMPACT REPORT

SPONSOR HHC **ORIGINAL DATE** 1/26/16
LAST UPDATED 2/02/16 **HJM** 4/HHCS

SHORT TITLE Pharmaceutical Pricing Task Force **SB** _____

ANALYST Liu

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of Superintendent of Insurance (OSI)
 Public School Insurance Authority (PSIA)
 Regulation and Licensing Department (RLD)
 Retiree Health Care Authority (RHCA)

Responses Not Received From

Human Services Department (HSD)
 General Services Department (GSD)

SUMMARY

Synopsis of HHC Substitute

House Joint Memorial 4 as substituted by the House Health Committee requires the Legislative Finance Committee to study ways for New Mexico to mitigate the effects of rising pharmaceutical prices. A report of findings and recommendations will be presented to the Governor's Office, Human Services Department, Office of Superintendent of Insurance, and Legislative Health and Human Services Committee by October 1, 2016.

FISCAL IMPLICATIONS

HJM 4 requires LFC to study ways in which the state may take action to mitigate the effects of rising pharmaceutical prices. The fiscal impact to the LFC Evaluation Unit is indeterminate but minimal.

SIGNIFICANT ISSUES

The mission of the LFC is to provide the Legislature with objective fiscal and public policy analyses, recommendations, and oversight of state agencies to improve performance and to ensure accountability through the effective allocation of resources for the benefit of all New Mexicans.

The LFC Evaluation Unit maintains a work plan of evaluations approved by the LFC. This study is not currently on the work plan and would require a reprioritization of pending evaluations.

OSI provided the following:

This issue has national impacts. As a result, the legislature may want to limit the scope to pharmaceutical pricing impacts on New Mexico residents. Pharmaceutical costs are largely an issue impacted by national trends, and state-based action to curb rising costs may be limited. Other states, however, are reviewing possible actions that include mandating pricing transparency. Transparency mandates require pharmaceutical companies to publish costs for drug research, production, and marketing. These requirements, however, have received pushback from pharmaceutical industry representatives claiming these costs are difficult to estimate. Pharmaceutical industry representatives also caution against unnecessary duplication of review processes by the U.S. Food and Drug Administration.

Additionally, other states have considered setting pricing caps on the most expensive medications and requiring manufacturers of generic drugs to pay a rebate to Medicaid when prices jump more than inflation. These state initiatives are still under review and have not been implemented.

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