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FISCAL IMPACT REPORT

ORIGINAL DATE 2/27/17

SPONSOR HHHC LAST UPDATED 3/03/17 HB 112/HHHCS

SHORT TITLE Health Coverage Contract Change Limits SB _____

ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate				

(Parenthesis () Indicate Expenditure Decreases)

Responses Received From

New Mexico Retiree Health Care Authority (NMRHCA)
 New Mexico Public School Insurance Authority (NMPSIA)
 Office of the Superintendent of Insurance (OSI)

No Response Received From

General Services Department (GSD)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

The House Health and Human Services Committee Substitute for House Bill 112 (HB 112) amends the Health Care Purchasing Act (HCPA), New Mexico Insurance Code, Health Maintenance Organization Law, and Nonprofit Health Care Plan Law to only allow changes to prescription drug coverage at the time of plan renewal unless it is to add a new prescription drug. The bill also provides that when a group health plan adds a new generic drug to a formulary during the plan year, the plan may adjust cost-sharing requirements one time with 60 days notice.

FISCAL IMPLICATIONS

The NMRHCA and NMPSIA reported that the bill may restrict their ability to respond to market changes, except in narrowly defined circumstances, during a plan year. This restriction may result in lost opportunity costs to apply downward pressure to escalating drug costs. Under the HCPA, the NMRHCA and NMPSIA cooperatively purchase healthcare and prescription drugs and services, along with the General Services Department and Albuquerque Public Schools.

NMPSIA noted that over the past couple of years, drug manufacturers have made unexpected and dramatic price increases for certain prescription drugs. These price increases affect prescription drug trend and as such impact premiums for schools and covered employees.

Health Action New Mexico (HANM) reports that consumers who need essential medications often purchase a plan because their medications are covered. When consumers purchase health insurance, they are locked into the plan for a set amount of time, unable to purchase a new plan that meets their needs without taking extraordinary measures, such as changing employers.

HANM also notes that Louisiana passed a law nearly identical to HB 112 in 2011. A study conducted by the Commonwealth Fund found that between 2010-2015, Louisiana saw the largest slowdown in premium growth in the nation. According to the study, average premium growth fell from 7.8 percent a year between 2006 and 2010 to 2.4 percent from 2010 to 2015. Several studies have also found that cost-related nonadherence is linked to higher death rates, worse health outcomes, and more hospitalizations. When a medication is removed from a formulary or other restrictions are made to drug coverage, cost-related nonadherence is more likely to occur.

SIGNIFICANT ISSUES

Currently, group health plans may not change their formularies (drug lists) or increase cost-sharing or establish a prior authorization requirement, quantity limit or step-therapy restriction, within 120 days of any previous change to coverage, unless a generic version is available. In addition, any proposed change must be conveyed to an affected enrollee 60 days in advance.

The bill extends the current 120 day change requirement to the time of plan renewal, unless it is to add a new prescription drug, generic or otherwise, to its formulary. In the case of adding a generic drug, the plan may adjust cost-sharing once during the year with 60 days written notice.

The bill protects consumers that have been prescribed and approved by their group health plan to take a specific prescription drug during a coverage year, but later had that drug moved to a higher cost-sharing tier or discontinued. Other types of changes to an enrollee's drug coverage after enrolling in a group health plan, such as adding prior authorization requirements, quantity limits or step therapy restrictions, would also be prohibited until the time of plan renewal.

PERFORMANCE IMPLICATIONS

The bill ensures that enrollees who are currently taking a drug will continue to have that drug available at the same cost-sharing requirements for the remainder of the coverage year, except for cases where the member and plan can save money with a therapeutic equivalent.

The bill specifies a carrier may remove a drug from a formulary without notification if the medication is deemed unsafe by the FDA or has been removed from the market for any reason.

ALTERNATIVES

Remove the bill's amendment to the HCPA which affects publicly-funded benefit programs.

AHO/al/sb