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FISCAL IMPACT REPORT

ORIGINAL DATE 2/20/2017

SPONSOR O'Neill LAST UPDATED _____ HB _____

SHORT TITLE Vaccine Purchasing Efficiencies SB 366

ANALYST Chenier

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		(\$0-\$6,000.0)	(\$0-\$6,000.0)	(\$0-\$12,000.0)	Recurring	Vaccine Purchasing Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)

SUMMARY

Synopsis of Bill

Senate Bill 366 would amend the Vaccine Purchasing Act to strike the provision that prohibits the use of federal discounts when purchasing vaccines. It also states that the Department of Health (NMDOH) shall seek to maximize discounts and efficiencies when purchasing vaccines.

FISCAL IMPLICATIONS

DOH stated that when the vaccine purchasing act was first written, vaccine manufacturers expressed concern about allowing New Mexico to use the public-sector discount price negotiated each year by the Centers for Disease Control (CDC) and the prohibition was written into the law. The CDC discount varies by vaccine, but is somewhere between 20 percent and 30 percent overall. This public-sector discount would save roughly \$4-6 million annually in costs for New Mexico, which would be passed on as savings to insurers and health plans.

However, the bill alone may not make it possible for DOH to use the CDC discount. Several other states also purchase vaccines for privately insured children and are able to leverage discount pricing. These states meet certain CDC conditions which New Mexico currently does

not, such as collecting the money prospectively rather than by reimbursement, and on a population basis rather than on a dose-by-dose accounting. Earlier invoicing may be possible under the Vaccine Purchasing Act as currently written, which would meet the CDC requirement for prospective revenue gathering.

Another discount option is the Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP). While it is not clear if the bill is intended to require DOH to seek discounts under MMCAP, those discounts cannot be used to reduce other entities' costs (i.e. health plans). This discount can only be used to reduce DOH's direct vaccine costs under the federal Non-Profit Institutions Act and the Robinson-Patman Act.

It is important to note that the use of a discount (or not) does not impact the supply of vaccines for insured children. The current law requires all insurers and health plans to pay for the vaccines.

SIGNIFICANT ISSUES

DOH also stated that the Vaccine Purchasing Act was enacted in 2015 to address the need for a stable funding source for the state to purchase vaccines for privately insured children, who are not eligible for the federal Vaccines for Children funding. The Act requires all insurers and self-insured health plans to report the number of covered lives 0-18 annually and to pay a pro-rata portion of estimated costs of such vaccine purchases for that year. For the past two years, that has totaled approximately \$20 million per year. In FY17, for the first time in many years, DOH is covering its costs for these vaccine purchases without running a deficit.

EC/sb/jle