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## FISCAL IMPACT REPORT

ORIGINAL DATE 3/5/17

SPONSOR Steinborn LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE State Agency Prescription Drug Savings SM 99

ANALYST Boerner

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

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		Minimal			Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Senate Memorial 99 is related to:

- SB354 (Interagency Pharmaceuticals Purchasing Council)
- HB481 (State Agency Medication Price Transparency)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

General Services Department (GSD)  
 Children, Youth, and Families Department (CYFD)  
 Department of Health (DOH)  
 Public School Insurance Authority (PSIA)

### SUMMARY

#### Synopsis of Bill

The memorial addresses the increase in state prescription drug purchasing and is requesting the legislative finance committee compile a report with the following items investigated:

- The 30 most utilized prescription drugs;
- The 30 prescription drugs that have the highest per unit price;
- The 30 prescription drugs with the highest price growth; and
- The 30 prescription drugs that constitute the greatest expenditure.

Additionally, for each prescription drug identified above, the legislative finance committee should compile the following information:

- The total fiscal impact on the state budget for each prescription drug identified;
- The per unit price paid by each agency for each prescription drug identified;

- The price growth for the identified prescription drugs; and
- The total rebates captured for the prescription drugs identified.

The LFC is to gather the above information from CYFD, DOH, Human Services Department, the Albuquerque Public School District, the Public School Insurance Authority, University of New Mexico, UNM Hospital, and the Risk Management Division of GSD.

## FISCAL IMPLICATIONS

None specifically noted.

LFC should be able to incorporate the study outlined in SM 111 within its interim workplan.

DOH stated it currently participates in a purchasing contracting alliance that provides some of the lowest pharmaceutical costs in the country; however, the department indicated “there are always possibilities for maximizing cost savings by further consolidating drug purchases.”

## SIGNIFICANT ISSUES

CYFD provided some background on some of its efforts to reduce drug costs in its Juvenile Justice Facilities:

Since 2013 CYFD has made a concerted effort to decrease the cost of Pharmaceuticals. The decrease in costs can be documented through the CYFD contract with Diamond Pharmacy. While CYFD shows a marked decrease in cost, this has not affected patient care. These efforts have been coordinated with CYFD providers and by formulary changes and use of MMCAP (Minnesota Multistate Contracting Alliance for Pharmacy). CYFD is currently involved in a multidisciplinary task force looking at the use of psychotropic medicines for children in foster care. The task force is working on state standards of practice which will be shared with HSD, DOH, and the MCO's. CYFD's psychiatric team has been instrumental in coordinating the best practice approach to prescribing practices for children and adolescents. CYFD also follows community standards for treatment of medical conditions. This allows a high level of care to the client and controls costs by looking at all options for medications.

LFC's previous study published September 28, 2016 was a Health Notes Brief titled, “*Prescription Drug Costs: Maximizing State Agency Purchasing Power.*” The study assessed prescription drug utilization and spending in the state, as well as state agency efforts to contain costs. The report is located here:

[https://www.nmlegis.gov/Entity/LFC/Documents/Health\\_Notes/Health%20Notes%20-%20Prescription%20Drugs.pdf](https://www.nmlegis.gov/Entity/LFC/Documents/Health_Notes/Health%20Notes%20-%20Prescription%20Drugs.pdf)

According to the LFC Brief, in FY16, the ten New Mexico state agencies that purchase prescription drugs spent a combined total of over \$680 million, up from \$442 million in FY14, or an increase of approximately 54 percent.

DOH argued SM 99 could have a positive impact on DOH and other state agencies by potentially utilizing the assessment and recommendations to consolidate drug purchasing and maximize statewide pharmaceutical cost savings.

**ADMINISTRATIVE IMPLICATIONS**

DOH notes that its facilities that use prescription drugs will be required to submit substantial information on pharmaceutical utilization and costs to the LFC which would require extensive dedicated staff hours.

CB/al