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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Armstrong</u>	<b>LAST UPDATED</b> _____
	<b>ORIGINAL DATE</b> <u>3/2/23</u>
<b>SHORT TITLE</b> <u>Medicaid Program Dispensing Fee Reimbursement</u>	<b>BILL NUMBER</b> <u>House Bill 451</u>
	<b>ANALYST</b> <u>Esquibel</u>

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

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Est 5% increase in Medicaid reimbursement to community pharmacies</b>		\$1,837.1	\$1,837.1	\$3,674.2	Recurring	General Fund, Federal Medicaid matching funds
<b>HSD admin costs</b>		\$60.0			Nonrecurring	General Fund
<b>Total</b>		\$1,897.1	\$1,837.1	\$3,674.2		

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

Relates to appropriation in the General Appropriation Act

### Sources of Information

LFC Files

Responses Received From  
 Human Services Department (HSD)  
 Regulation and Licensing Department (RLD)

## SUMMARY

### Synopsis of House Bill 451

House Bill 451 (HB451) would require, consistent with federal law and subject to the appropriation and availability of federal and state funds, the Human Services Department (HSD) shall take such action as may be required to ensure that community-based pharmacy providers are fully reimbursed for the ingredient cost and professional dispensing fee for covered outpatient drugs in all Medicaid programs. HSD shall identify and update, at least annually, a list of community-based pharmacy providers.

## FISCAL IMPLICATIONS

HSD reports the Medicaid fee-for-service program currently reimburses all pharmacies an ingredient cost plus a professional dispensing fee of \$10.30, as defined and federally approved in the New Mexico State Plan Amendment.<sup>1</sup> The dispensing fee was established based on data regarding pharmacy costs to dispense medications and a comparison with other states similar to New Mexico. HB451 would require the establishment of a separate dispensing fee for community pharmacies based on their dispensing costs, which would require federal approval. HSD is uncertain whether a separate dispensing fee for certain providers would be allowed under federal rules.

HSD reports it is uncertain how HB451 would affect the current Medicaid reimbursement methodology for prescribed drugs and professional dispensing fees for community-based pharmacy providers without the providers' drug acquisition cost reports. In 2018, the Medicaid program identified 91 community-based pharmacies (14 out of state) and directed the managed care organizations (MCO) to ensure the "maximum allowed cost" for ingredient costs for generic drugs for community-based pharmacies is no lower than the current national average drug acquisition cost listed for the national drug code (NDC) for the drug item. For drugs where the national average price is unavailable, the maximum allowed cost must be no lower than the published wholesaler's average cost listed for the NDC plus 6 percent.

The pharmacy list from the department's letter of direction was used to extract data for prescribed drugs filled during 2022. In 2022, 74 in-state and four out-of-state pharmacies received Medicaid payments totaling \$36.7 million for both fee-for-service (\$1,040,100) and managed care (\$35,701,000).

If the adoption of this bill resulted in a 5 percent increase in the reimbursement to community-based pharmacies, it would cost the Medicaid program an additional \$1,837,100 (\$325.6 thousand from the general fund) in FY24.

HSD notes the cost to implement the provisions of the bill to set a separate professional dispensing fee for pharmacies and securing federal approval would require a contract of at least \$60 thousand plus employee costs for HSD.

## SIGNIFICANT ISSUES

HSD reports Medicaid reimbursement rates to pharmacies currently consider ingredient costs, as required by the bill. However, Medicaid pharmacy rates include additional factors that are required per federal and state rules and regulations. All rates would require federal review and approval. Current reimbursement rules for pharmacy providers are set forth in regulation.

## ADMINISTRATIVE IMPLICATIONS

HSD reports under the provisions of the bill it would develop a separate professional dispensing fee for community pharmacies, which would require extensive work to complete. A contract

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<sup>1</sup> [NM-17-003.pdf \(medicaid.gov\)](#)

would likely be required to do the work involved. HSD would also have to change regulations and complete a State Plan Amendment for the new rate and secure federal approval prior to implementation.

The bill does not contain an appropriation to fund the staffing or administrative costs that would be involved in this work.

## **TECHNICAL ISSUES**

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

RAE/rl/hg