LFC Requestor: Self Assigned

2025 LEGISLATIVE SESSION
AGENCY BILL ANALYSIS

Section I: General

Chamber: House
Category: Bill
Number: 174
Type: Introduced

Date (of **THIS** analysis)**:** 1/30/2025
Sponsor(s): Gail Armstrong
Short Title: PHARMACY REIMBURSEMENT FOR CERTAIN PLANS

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Section II: Fiscal Impact

APPROPRIATION (dollars in thousands)

Appropriation Contained		Recurring or Nonrecurring	Fund Affected
FY 25	FY 26		
$0	$0	N/A	N/A

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY 25	FY 26	FY 27		
$0	$0	$0	N/A	N/A

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY 25	FY 26	FY 27	3 Year Total Cost	Recurring or Non-recurring	Fund Affected
Total	$0	$0	$0	$0	N/A	N/A

Section III: Relationship to other legislation

Duplicates: None

Conflicts with: None

Companion to: None

Relates to: 2025 SB62 PHARMACY BENEFIT MANAGER FEES; 2024 HB 165 PHARMACY PROVIDER REIMBURSEMENT

Duplicates/Relates to an Appropriation in the General Appropriation Act: N/A

Section IV: Narrative

1. BILL SUMMARY

a) Synopsis

House Bill 174 (HB174) proposes to introduce a new section of the Healthcare Purchasing Act that would:

- Require group health coverage, including any form of self-insurance, subject to the Health Care Purchasing Act, to reimburse community-based pharmacy providers for the ingredient cost of a drug (at least equal to the national average drug acquisition cost, or the wholesale acquisition cost) and a professional dispensing fee that is no less than the fee paid by Medicaid fee for service program.
- HB174 also provides definitions, including for a "community-based pharmacy provider" as a pharmacy that is open to the public for filling prescriptions, located in the state or near the state border, and is not government-/hospital-/hospital-corporation-/medical practice-/corporate-owned or mail order.

Is this an amendment or substitution? ☐ Yes ☒ No

Is there an emergency clause? ☐ Yes ☒ No

b) Significant Issues

New Mexico was listed as the state with the highest proportion of their adult population living in pharmacy deserts (14.9%) a trend that continues to increase nationwide. Locations and characteristics of pharmacy deserts in the United States: a geospatial study | Health Affairs Scholar | Oxford Academic

Nearly 30% of pharmacies in the United States closed between 2010 and 2021.As Drugstores Close, Older People Are Left in 'Pharmacy Deserts' - The New York Times

Of added concern is the closure of pharmacies in rural locations. The Rural Policy Research Institute (RUPRI) brief, Changes in Rural Pharmacy Presence 2023, states that between 2018 and 2023, the number of retail pharmacies declined 5.9% in rural communities, compared to 3.4% in urban communities Rural_Pharmacy_Presence.pdf

Rural community pharmacies have long played an important role in healthcare delivery and health education for their communities. They are often cornerstones of rural communities providing access to medication and medical equipment as well as providing medication counseling, monitoring of blood pressure and glucose, and other services. Rural Pharmacies Provide Multi-Faceted Value to Rural Communities - The Rural Monitor

According to a Health Affairs article, independent pharmacies were at greater risk for closure than chain pharmacies. The authors recommended that policy makers should consider strategies to increase the participation of independent pharmacies in Medicare and Medicaid preferred networks managed by pharmacy benefit managers and to increase public insurance reimbursement rates for pharmacies that are at the highest risk for closure. More US Pharmacies Closed Than Opened In 2018–21; Independent Pharmacies, Those In Black, Latinx Communities Most At Risk | Health Affairs

HB0174 would help to support community pharmacies by improving reimbursement for medications, ensuring the financial sustainability of these healthcare providers and continued access to care for New Mexicans.

Fee-for-service Medicaid outpatient drug reimbursement is based on three principal factors. First, states pay an "ingredient cost," which compensates pharmacies for the costs of acquiring a drug. Second, states add an additional "dispensing fee" that is meant to help cover pharmacies' operating expenses and profit margins. Third, the Medicaid Drug Rebate Program establishes federally mandated rebates from manufacturers to Medicaid for each prescription. Because list prices have increased more quickly than the prices actually paid by pharmacies, estimating appropriate reimbursements has become challenging. Abandoning List Prices In Medicaid Drug Reimbursement Did Not Affect Spending | Health Affairs

Note: as of September 2024, the Medicaid-covered outpatient prescription drug reimbursement for New Mexico is the lower of the Federal Upper Limit (FUL), National Average Drug Acquisition Cost (NADAC), Wholesale Acquisition Cost (WAC) plus 6%, ingredient cost, Usual and Customary Charge (U&C), plus a dispensing fee of $10.30. ReimbursementQ3

Note: The National Community Pharmacist Association 2020 Cost of Dispensing Study reflecting data from 2018 indicates the average overall cost of dispensing in 2018 was $12.40 per prescription (up from $10.55 in 2014), and $12.45 for Medicaid prescriptions (up from $10.30 for Medicaid). Of the 47 states that currently pay pharmacies cost-based dispensing fees, only North Dakota pays dispensing fees that cover the average costs of dispensing of $12.40. Pharmacy Reimbursement Modernization Needed, Report Says | NCPA

Similar legislation passed recently in Arkansas. Arkansas had originally issued Rule 128 as a temporary emergency rule in September 2024 because the Insurance Commissioner found that a public emergency existed that required changes to pharmacy reimbursement standards to ensure "reasonably sustainable network adequacy for pharmacy services".

Arkansas makes "fair and reasonable" reimbursement permanent | NCPA All 50 states have passed regulation to regulate pharmacy benefit managers. According to NASHP, 20 states have introduced legislation aimed at establishing reimbursement rates. State Pharmacy Benefit Manager Legislation - NASHP

2. PERFORMANCE IMPLICATIONS

- Does this bill impact the current delivery of NMDOH services or operations?

  ☐ Yes ☒ No

  If yes, describe how.

- Is this proposal related to the NMDOH Strategic Plan? ☒ Yes ☐ No

  ☒ **Goal 1**: We expand equitable access to services for all New Mexicans

  ☐ **Goal 2**: We ensure safety in New Mexico healthcare environments

  ☒ **Goal 3**: We improve health status for all New Mexicans

  ☐ **Goal 4**: We support each other by promoting an environment of mutual respect, trust, open communication, and needed resources for staff to serve New Mexicans and to grow and reach their professional goals

3. FISCAL IMPLICATIONS

- If there is an appropriation, is it included in the Executive Budget Request?

  ☐ Yes ☐ No ☒ N/A

- If there is an appropriation, is it included in the LFC Budget Request?

  ☐ Yes ☐ No ☒ **N/A**

- Does this bill have a fiscal impact on NMDOH? ☐ Yes ☒ No

4. ADMINISTRATIVE IMPLICATIONS

Will this bill have an administrative impact on NMDOH? ☐ Yes ☒ No

5. DUPLICATION, CONFLICT, COMPANIONSHIP OR RELATIONSHIP

None

6. TECHNICAL ISSUES

Are there technical issues with the bill? ☐ Yes ☒ No

7. LEGAL/REGULATORY ISSUES (OTHER SUBSTANTIVE ISSUES)

- Will administrative rules need to be updated or new rules written? ☐ Yes ☒ No
- Have there been changes in federal/state/local laws and regulations that make this legislation necessary (or unnecessary)? ☐ Yes ☒ No
- Does this bill conflict with federal grant requirements or associated regulations? ☐ Yes ☒ No

- Are there any legal problems or conflicts with existing laws, regulations, policies, or programs? ☐ Yes ☒ No

8. DISPARITIES ISSUES

This bill helps reduce the risk of closure of community pharmacies and the creation of additional pharmacy deserts in New Mexico. Studies have shown that communities that are pharmacy deserts, as compared with non-pharmacy desert communities, have a higher proportion of people who have a high school education or less, have no health insurance, have public health insurance, speak English "not well" or "not at all", have an ambulatory disability, identify as non-Hispanic Black race, identify as American Indian or Alaskan Native, and identify as Hispanic White race. Locations and characteristics of pharmacy deserts in the United States: a geospatial study | Health Affairs Scholar | Oxford Academic Counties with a high vs low pharmacy desert density had a higher SVI Pharmacy Accessibility and Social Vulnerability | Public Health | JAMA Network Open | JAMA Network

9. HEALTH IMPACT(S)

This bill will help maintain healthcare access and prevent pharmacy deserts by supporting community pharmacies.

10. ALTERNATIVES

None

11. WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

If HB174 is not enacted, there will not be a requirement for group health coverage, including any form of self-insurance, subject to the Health Care Purchasing Act to reimburse community-based pharmacy providers for the ingredient cost of a drug (at least equal to the national average drug acquisition cost, or the wholesale acquisition cost) and a professional dispensing fee that is no less than the fee paid by Medicaid fee for service program.

12. AMENDMENTS

None