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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 2/7/2025

SPONSOR Armstrong

BILL

SHORT TITLE Pharmacy Reimbursement for Certain Plans NUMBER House Bill 174

ANALYST Esquibel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HCA State Health Benefits Plan	No fiscal impact	\$325.7	\$651.3	\$977.0	Recurring	General Fund (employer share through state health benefits fund)
HCA State Health Benefits Plan	No fiscal impact	\$175.4	\$350.7	\$526.1	Recurring	Cost to Employees (premiums)
HCA State Health Benefits Plan	No fiscal impact	\$105.0	\$210.0	\$315.0	Recurring	Cost to Employees (cost-sharing)
NMPSIA	No fiscal impact	Up to \$400.0	Up to \$765.0	Up to \$1,165.0	Recurring	NMPSIA Benefits Fund
Total	No fiscal impact	Up to \$1,006.1	Up to \$1,977.0	Up to \$2,983.1	Recurring	

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

Sources of Information

LFC Files

Agency Analysis Received From
Health Care Authority (HCA)
New Mexico Public Schools Insurance Authority (NMPSIA)
Regulation and Licensing Department (RLD)
Office of Superintendent of Insurance (OSI)
University of New Mexico Health Sciences Center (UNMHSC)

Agency Analysis was Solicited but Not Received From
Albuquerque Public Schools (APS)
Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of House Bill 174

House Bill 174 (HB174) would require group health coverage and self-insurance offered, issued, or renewed under the Health Care Purchasing Act that offer a prescription drug benefit to pay community pharmacies a professional dispensing fee that is no lower than the professional dispensing fee Medicaid pays to community pharmacies. The current Medicaid professional dispensing fee for community pharmacies is \$10.30.

The bill defines community pharmacies as:

- A. Open to the public for prescriptions to be filled, regardless of the facility or practice where the prescription was written;
- B. Located in the state or near the state border, if the border town is a primary source of prescription drugs for Medicaid recipients residing in the border area; and
- C. Not: 1) government-owned; 2) hospital-owned; 3) owned by a corporation that owns hospitals; 4) an extension of a medical practice or special facility; 5) owned by a corporate chain of pharmacies with stores outside of defined as the state; or 6) a mail-order pharmacy.

The effective date of this bill is January 1, 2026.

FISCAL IMPLICATIONS

The Health Care Authority (HCA) reports changing to the national average drug acquisition cost for community pharmacies would have the following cost implications for the state health benefits plan. The cost would split between the state as the employer who pays approximately 65 percent of the cost and employees who pay approximately 35 percent of the cost. There would also be impacts to member out-of-pocket cost-sharing.

HCA provides the following impact:

1. Total premium impact: \$1,002,000 per calendar year
 - a. Member premium impact: \$350,700 per calendar year
 - b. State premium impact: \$651,300
2. Member out-of-pocket cost impact: \$210,000
3. Total member impact (premium + out-of-pocket): \$560,700
4. Total general fund plan impact: \$651,300

The New Mexico Public Schools Insurance Authority (NMPSIA) reports implementing the national average drug acquisition cost pricing platform for independent retail pharmacies in New Mexico would require an increased administration fee of \$1.00 per member per month which equates to \$300 thousand annually and a 3-year projected impact of \$1.17 million. The proposed national average drug acquisition cost pricing adjustments will apply to approximately 80 independent retail pharmacies in the state. Pharmacy claims are expected to grow at an annual trend rate of 14 percent, while dispensing fees are projected to increase by 6 percent per year. NMPSIA analysis assumes a dispensing fee of \$10.30 per prescription, based on the current New Mexico Medicaid reimbursement model.

NMPSIA Fiscal Impact
(in thousands)

	Allowed Cost Plus Dispensing Fee	Administrative Fee	Total Impact
FY2026	\$115	\$285	\$400
FY2027	\$195	\$570	\$765

SIGNIFICANT ISSUES

HCA notes community pharmacies can be vital in rural communities, often serving as the primary access point for essential healthcare services. These pharmacies play a crucial role in ensuring residents have convenient access to medications, health supplies, and professional advice without needing to travel long distances. In many cases, community pharmacists are not only trusted healthcare providers, but also key community members who understand the unique health needs and challenges of their rural neighbors. Beyond dispensing medications, they can offer personalized care, medication management, and health education, which are especially valuable in areas with limited access to physician care.

HCA reports state health plan member co-pays for generic drugs are \$6 and may increase if the current cost of the prescription drug is less than \$6 because the increased ingredient cost or dispensing fee would exceed the current co-pay amount. For brand-name drugs, member costs are unlikely to change, as these drugs typically cost more than the co-pay threshold.

The state health benefit plan’s pharmacy benefit manager would need to update its contracts with community pharmacies to reflect new reimbursement rates.

Prescriptions filled at community pharmacies would likely be excluded from certain guarantees offered by the pharmacy benefit manager, slightly reducing the value of these guarantees to HCA.

The state health benefit plan fund currently has a projected shortfall of \$85 million due to higher claim costs than premium collections. The bill could contribute to the projected shortfall if there were not an adjustment to the premium rate to reflect the new pricing requirements.

ADMINISTRATIVE IMPLICATIONS

Medicaid already provides this same professional dispensing fee to community pharmacies and would not be required to increase rates under the provisions of the bill. Additionally, oversight of this bill is not under Medicaid’s purview and would therefore not impact administrative costs.

OTHER SUBSTANTIVE ISSUES

NMPSIA reports while national average drug acquisition cost pricing offers transparency, it introduces financial risks due to unstable pricing, lack of rebate inclusion, and reduced cost-control mechanisms which adds difficulty to predict, budget, and manage pharmacy benefits.

The University of New Mexico (UNM) Health Sciences Center notes the bill excludes governmental entities like UNM. HB174 could help sustain community pharmacies, which have difficulty competing with pharmacy benefit manager-owned mail order pharmacies, by requiring health insurers and their associated pharmacy benefit managers to compensate community pharmacies at cost plus a prescribing fee.

HCA reports the following regarding the state health benefits plan:

Examples of Medication Costs:

- a. If the ingredient cost of New Mexico's discounted AWP for a generic medication is \$3 but the national average drug acquisition cost price is \$10, the total cost to the state and the member would increase. The maximum member co-pay for a generic drug is currently \$6, meaning that the member's cost sharing would increase by \$3 and the state's ingredient cost would increase by \$4.
- b. Assuming no change in the ingredient cost...an increase in the dispensing fee could impact the member co-pay. For example, if the ingredient cost is \$1 and the current dispensing fee is \$2, the member's co-pay would be \$3. If the dispensing fee increased to \$10, the member's co-pay would increase to the maximum of \$6 and the state's cost would increase to \$5.
- c. Member cost sharing is unlikely to be impacted for more expensive drugs because the ingredient cost is likely much higher than the member's co-pay. For example, if a brand name drug costs \$200 and the member co-pay is \$40, the increased dispensing fee would not impact the member because they have already reached their co-pay limit. The additional \$10 would be borne by the state.

RAE/SL2/hj