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## FISCAL IMPACT REPORT



SPONSOR: Magdalena DATE TYPED: 01/30/02 HB 149

SHORT TITLE: Native American Prescription Drug Program SB \_\_\_\_\_

ANALYST: Wilson

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
\$25.0				Non-Recurring	General Fund

### SOURCES OF INFORMATION

LFC Files

Response Received

Department of Health (DOH)  
Health Policy Commission (HPC)

No Response

Agency on Aging

### SUMMARY

Synopsis of Bill

House Bill 149 appropriates \$25.0 from the General Fund to the Agency on Aging for the purpose of assessing the potential for and initiating any necessary waivers to establish a prescription bulk purchasing program. The program would use the special prescription drug purchasing prerogatives of one or more Native American prescription drug programs, in cooperation with Native American tribes, the New Mexico Office of Indian Affairs, the Human Services Department and other appropriate state agencies. This bill contains an emergency clause.

Significant Issues

The DOH notes that HB 149 does not identify the population who would benefit from this bill. Since the money is to be appropriated from the general fund to the State Agency on Aging, it seems the bill would be to benefit seniors in the State. It is also not clear how any savings incurred through purchase of prescription drugs through a bulk-purchasing program utilizing the special drug

purchasing prerogatives of one or more Native American prescription drug programs will be passed on to the senior citizens of New Mexico.

In New Mexico, an estimated 24% of the population is uninsured and nearly as many are insured but are without prescription benefits. Many of these citizens without a prescription drug benefit are senior citizens. Most senior citizens are on a fixed income and are unable to afford prescription drugs; some go without food and other essentials to buy drugs, or do without drug therapy altogether.

During 2001, the interim Legislative Health and Human Services Committee obtained information during its deliberations on a prescription drug purchasing initiative utilizing the purchasing power of Native American tribes, particularly the efforts of the Pequot Tribe in Connecticut.

Under federal regulations, Indian tribes recognized by the federal government can buy prescription drugs at a deep discount and resell them.

### **FISCAL IMPLICATIONS**

The appropriation of \$25.0 contained in this bill is a non-recurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of FY 03 shall revert to the General Fund.

### **ADMINISTRATIVE IMPLICATIONS**

The Agency on Aging should be able to conduct the study required in HB 149 since it is within its mandated responsibilities.

### **RELATIONSHIP**

Relates to:

SB 91, Senior Prescription Drug Benefit  
SB 118, Prescription Drug Outreach for Seniors  
HJM 21, Federal "Best Price" of Prescription Drugs

### **OTHER SUBSTANTIVE ISSUES**

The DOH provided the following:

There is substantial information in the press highlighting the circumstances in which many seniors find themselves, such as having to choose between purchasing prescription drugs and basic necessities such as food, housing, clothing and utilities. Anecdotal information has come from individuals who have either foregone prescriptions altogether or altered prescribed regimens in order to "stretch" the quantity of prescription drugs they obtain. When necessary prescription drugs cannot be obtained, or are taken incorrectly, threats to the continuity and quality of health care occur and may result in increasingly complicated health conditions, and possible hospitalizations with the associated costs.

According to a June 19, 1999 Associated Press article on the Internet, the Pequot Pharmaceutical Network was started about 13 years ago as a small health service for members of the tribe and their employees. In 1999, the Network was a \$15 million business, handling 250,000 prescriptions annually.

- About 2 million people were enrolled in the network at that time.
- The state of Connecticut was considering becoming a customer in order to cut its pharmaceutical expenditures for 85,000 elderly and disabled Medicaid patients.

The Pequots get the government discount only for prescription drugs that go to people on federal assistance, such as Medicaid. For all other patients, the Pequots pay the HMO rate for drugs, which is still cheaper than what drug store chains pay. The Pequots are not allowed to charge a markup on drugs for patients on general assistance. About 70 percent of the business in 1999 was in mail-order prescriptions, shipped directly from the reservation to patients.

- They make their profit by imposing a handling fee (about \$9 per prescription in 1999).
- Their other customers can be charged a markup.

The Pequots also have a pharmacy on the reservation that serves tribal members and employees. It has alliances with pharmacies across the country, enabling patients to go to drugstores to pick up some prescriptions. In addition, the tribe performs claims processing for large employers and has customer service representatives and pharmacists on call nearly 24 hours a day to answer questions and check patient histories.

DW/ar:pr