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FISCAL IMPACT REPORT

SPONSOR Taylor, JG DATE TYPED 2/4/04 HB 406

SHORT TITLE Medicaid Pharmacy Reimbursement SB _____

ANALYST Weber

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
\$700.0	\$1,722.0		Recurring	General Fund
(\$2,100.0)	(\$5,166.0)		Recurring	Federal Funds

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB 183

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Currently, as required by 27-2-16, Medicaid pharmacy reimbursement “shall be limited to the wholesale cost of the lesser expensive therapeutic equivalent drug generally available in New Mexico plus a reasonable dispensing fee of at least \$3.65.

House Bill 406 would require that “Reimbursement by the human services department to pharmaceutical providers participating in the medicaid fee-for-service program shall be determined by the human services department as provided by applicable state and federal law, including regulations adopted by the human services department. Reimbursement by organizations with a contract with the human services department to provide medicaid services to their respective pharmaceutical providers shall be determined by negotiation between such organizations and such providers, or their representatives.”

Significant Issues

The Human Services Department reports:

The amended section will allow the Department to set flexible reimbursement rates, based on whether a pharmacy is in a rural or urban center, as well as whether it is a chain or an independent pharmacy. It will protect the independent and rural pharmacy with a higher cost of doing business by reimbursing them at a higher level, while enabling the state to preserve Medicaid moneys when reimbursing the high-volume urban and chain pharmacy. Currently, all of these pharmacies are reimbursed at the same rate.

This bill will enable HSD and its managed care contractors to establish variable reimbursements taking into account fluctuations in costs of dispensing, including drug actual acquisition cost. Problems with the current statute:

- The term “wholesale cost” is not used by the pharmaceutical industry and has no fixed meaning.
- The reference to a minimum dispensing fee only applies “if drug product selection is permitted”, that is for generic drugs only.
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The concept of a dispensing fee is fundamentally flawed, inferring that a single dollar amount can be calculated to accurately and adequately compensate all pharmacies for their overhead costs and gross margin needs.

FISCAL IMPLICATIONS

The general fund revenue reduction was reported by HSD as a component of the overall potential Medicaid savings.

POSSIBLE QUESTIONS

What is the potential impact on the business viability of the pharmacies after such a change is enacted and how this might contribute to reduced access concerns, especially for smaller operations in rural communities? Although the HSD narrative above alludes to addressing this issue, more information should be supplied regarding the regulations and how they will be applied.

MW/yr:lg