F I S C A L   I M P A C T   R E P O R T

SPONSOR Ingle **DATE TYPED** 03/01/05 **HB**

SHORT TITLE Raise rural Pharmacy Medicaid Dispensing Fee **SB** 1036

ANALYST Weber

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			$870.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	$2,130.0		Recurring	Federal Medicaid

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Pharmacy Board
Department of Health (DOH)
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate Bill 1036 (SB 1036) would enact a new section of the Public Assistance Act to:

- Enable the Human Services Department (HSD) to determine reimbursement rates for all prescriptions paid by the Medicaid Program utilizing only ingredient cost and a dispensing fee.
- Define a rural pharmacy, a critical access pharmacy and an urban pharmacy and which counties correspond to each type of pharmacy.

- Set reimbursement rates for a dispensing fee of no less than $4.00 for a rural pharmacy; no less than $4.25 for a critical access pharmacy and a rate set by HSD for urban pharmacies.
- The effective date for these changes is July 1, 2005.

Significant Issues

The following was contributed by the Human Services Department.

Dispensing fees require federal approval by the Centers for Medicare and Medicaid Services (CMS), and must be justifiable, regardless of being legislated by the state. Dispensing fees are not required to be in statute, and most states don't put them in statute for this reason. Among the reasons that can be used for CMS justification is that the amount is similar to what other payers make for the same service. Therefore, negotiated rates are more likely to be approved by CMS than a legislated rate, and would give the Department flexibility to deal fairly and effectively with access issues.

The pharmacies in a rural or critical access area, as designated by county, incorrectly implies the pharmacy is in a rural environment, which is not necessarily true. For example, there are 10 pharmacies participating in Medicaid in Chavez county, but they are ALL within the city of Roswell, which has a population of approximately 50,000 people. No pharmacy in the county is in a rural area of the county. The bill should be less specific in defining the rural and critical access areas, thereby allowing HSD to more adequately address the areas of the state where access is a problem. An alternative more accurate designation could be to use the areas of New Mexico designated as "rural" or "isolated" by the Rural Health Research Center (a collaborative of HRSA, Department of Agriculture, and the federal Rural Health Policy Center, which is done by census tract.

As no monies are appropriated to fund the dispensing fee increase, the department may have to reduce benefits, or examine more cost effective ways to deliver the service to ensure access by participants to pharmacy services.

By limiting the reimbursement rate to ingredient cost and the dispensing fee, the bill may prohibit the option of the Medicaid Program to begin to pay for delivery of prescriptions to homebound clients and for special pharmacy compounding fees when necessary.

FISCAL IMPLICATIONS

HSD continues.

A preliminary estimate of the cost of implementing the dispensing fees stated in the bill is approximately $3,000,000 for the fee for service, NMRx, and the Salud! Managed Care pharmacy programs. Of this amount, approximately $870,000 would need to come from state general fund, while $2,130,000 would come from federal matching funds.

The fiscal implications could be better managed if the bill specifically stated that the Salud! Managed Care pharmacy program was exempted from the bill, as their fees can be negotiated as appropriate to assure access to pharmacy care, consistent with economy, and, therefore, already tend to pay higher dispensing fees in critical and rural areas.

The fiscal implications could also be better managed if the bill did not specify the precise dispensing fees, because it would allow the Department more flexibility to appropriately pay higher dispensing fees in critical areas at the same time as reducing costs where appropriate such as for refilled prescriptions, etc.

POSSIBLE QUESTIONS

How is access defined?

Should an appropriation be attached since the bill will create additional costs to the Medicaid program?

MW/yr