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## FISCAL IMPACT REPORT

SPONSOR Feldman DATE TYPED 3/7/05 HB \_\_\_\_\_

SHORT TITLE Pharmacy Benefit Management Company Oversight SB SM 32

ANALYST Hanika-Ortiz

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$0.1	Recurring	General Fund

Duplicates HJM 98

### SOURCES OF INFORMATION

LFC Files

### SUMMARY

#### Synopsis of Bill

Senate Memorial 32 requests the New Mexico Health Policy Commission (HPC) to convene a task force to study the need for regulation and oversight of Pharmacy Benefit Managers (PBMs).

#### Significant Issues

PBMs are largely unregulated, except for regulations governing pharmacy businesses, and administer and manage the purchase, dispensing and reimbursement of prescription drugs for public and private insurance plans. PBMs handle prescription drug benefits for an estimated ninety-five percent of all patients with prescription drug insurance. Many PBMs own and operate their own mail order pharmacies.

The State relies on the services of PBMs to negotiate discounted prices for prescription drugs, develop formularies of covered drugs, establish and maintain adequate networks of pharmacies and manage utilization of drugs through prior authorization or utilization reviews. Prescription drug pricing involves many different prices, rebates and discounts and involves many different parties in the purchasing and dispensing of the product.

## **PERFORMANCE IMPLICATIONS**

The HPC will lead the task force that will study the extent to which PBMs interact with covered individuals and the value and propriety of those interactions. The task force will also evaluate the positive and negative aspects of disclosure of financial and utilization information. The study will include a complete listing of the approaches other states have taken in regulating the PBM business, including the status of current legal actions.

## **FISCAL IMPLICATIONS**

The cost of prescription drugs in New Mexico is estimated to be \$804 million in 2004. The State government pays for prescription drugs for more than 500 thousand people covered through Medicaid programs, incarcerated in state prisons and for state employees and retirees.

The memorial suggests a task force study to study if it is in the best interest of the state to have full knowledge of the pricing structure, negotiated discounts and supplementary payments that PBM's receive from prescription drug manufacturers in order to ensure that the lowest possible prescription price is passed along to beneficiaries.

The memorial will also address disclosure of financial arrangements, conflicts of interest and the sharing of data about utilization management generally covered in contracts between entities.

Agencies are being asked to participate with existing staff and resources.

## **ADMINISTRATIVE IMPLICATIONS**

The findings and recommendations of the study will be presented to the interim legislative Health and Human Services Committee in October of 2005.

## **OTHER SUBSTANTIVE ISSUES**

Recent state and federal lawsuits have been filed alleging the possibility of serious conflict of interest, understated savings from deals with prescription drug manufacturers and the use of information about utilization and prescribing patterns for marketing purposes rather than for benefiting patient health.

**AHO/yr**