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

SPONSOR Armstrong **ORIGINAL DATE / LAST UPDATED** 02/13/15 **HB** 274

SHORT TITLE Health Coverage Prescription Synchronization **SB**

ANALYST Dunbar

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands

FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
$0.0	$225.0	$225.0	$450.0	Non Recurring	General Fund/Federal Matching Funds

*Referance is made to Fiscal Implications below.

Relates to HB 273
Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION
Responses Received From
Attorney General (AG)
Office of the Superintendent of Insurance (OSI)
Human Services Department (HSD)

SUMMARY

Synopsis

House Bill 274 amends sections of the Health Care Purchasing Act, the Public Assistance Act, and the New Mexico Insurance Code to allow synchronization of prescriptions. Individuals insured in group and individual health plans and medical assistance recipients will be allowed to fill or refill a prescription for less than a thirty-day supply of the prescription drug, and pay a prorated daily copayment or coinsurance.

HB 274 prohibits individual and group health insurance policies as well as the medical assistance program (the State Medicaid program including medical assistance managed care plans) that offer a prescription drug benefit from denying coverage for the filling of a chronic medication when it is is made in accordance with a plan to synchronize multiple prescriptions for the insured.   The bill also requires insurers to allow pharmacies to override any denial indicating that a prescription is being refilled too soon for the purposes of medication synchronization.

The bill does not allow managed care organizations or other insurers to prorate dispensing fees paid to pharmacies that fill prescriptions for the purpose of synchronizing prescriptions.

FISCAL IMPLICATIONS

HB 274 does not allow dispensing fees to be prorated and this could increase the dispensing fee costs to Medicaid and the Medicaid managed care organizations when an individual requests a partial fill to synchronize their prescriptions. Consequently, HSD notes that there would be additional dispensing fees paid out that would not currently be incurred by either the managed care organization or the fee-for-service (non-managed care) Medicaid program.

The cost of additional dispensing fees cannot be calculated because HSD does not know how many prescriptions are not synchronized. However, HSD offers an estimate by taking into account that approximately $12.5 million in pharmacy dispensing fees are paid annually. Accordingly, an increase of 3 percent in pharmacy dispensing fees paid results in a financial impact of approximately $375 thousand.

The Medicaid program would have to make changes to its claims payment system to apply copayments at a prorated rate. Also, HSD explains that the national standard transaction for pharmacy claims does not contain data fields for the pharmacy to provide sufficient information to the payer, the pharmacy benefits manager (PBM) for the PBM to prorate the copayment. Rather, the system would have to be changed such that the medical model of calculating a prorated copayment would be used.

The costs for these changes are estimated to be approximately $150 thousand. Similarly, it is likely that each of the four Medicaid managed care organizations would have similar costs.

SIGNIFICANT ISSUES

HB 274 requires the Medicaid program (including the Medicaid managed care plans) to allow an individual to fill or refill a prescription for less than a thirty-day supply of a medication and have their copayment or coinsurance prorated at a daily rate.

HSD notes that pharmacy copayments are only applied in the Medicaid program to (1) the Working Disabled Individuals category of eligibility; (2) the state Children's Health Insurance Program (CHIP) category of eligibility; and (3) for use of brand name drugs when a generic equivalent is available. Native Americans are exempted from all copayments in the Medicaid program.

As pointed out by OSI, copays are set amounts but coinsurance is a percentage, so coinsurance is effectively already prorated.

OSI states that the sponsor of the bill has indicated that the intent of this legislation is to allow insured individuals to get all of their prescriptions renewed at once rather than staggered through the month. This is to provide enhanced medication management and convenience to the consumer.

HB 274 requires insurers to allow pharmacies to override any denial indicating that a prescription is being refilled too soon for the purposes of medication synchronization. This is outside the scope of the Insurance Code, NMSA 1978, Chapter 59A. OSI is unaware of any situation under which the insurer is responsible for making this decision.

HB 274 may improve adherence rates for patients taking multiple medications over an extended period of time.

PERFORMANCE IMPLICATIONS

There would be necessary computer system changes which would be very difficult to have in place by July 1, 2015 as indicated by HSD.

ADMINISTRATIVE IMPLICATIONS

The bill would require HSD to adopt and promulgate rules for medical assistance programs and direct the managed care organizations to implement daily prorated copays and coinsurances.

RELATIONSHIP

Relates to HB 273 which provides parity of access and payment between participating mail order pharmacies and participating community pharmacies.

TECHNICAL ISSUES

AG suggests that the language that reads “the prescribing practitioner or the pharmacist determines the fill or refill to be in the best interest of the patient[,]” may be too discretionary; and the “prorat[ion] [of] a dispensing fee” may be too vague.

AG further remarks that any discretion of the pharmacist and practitioner as it pertains to the HB274 and a patient’s best interest should be notated specifically as to the patient’s “adherence or convenience.”

In regards to the dispensing fees, the AG indicates that HB 274 may need to provide guidance as to the determination of same, e.g., “dispensing fees shall be determined exclusively on the total number of prescriptions dispensed, not to exceed $______.”

BD/bb