

HOUSE HEALTH COMMITTEE SUBSTITUTE FOR
HOUSE MEMORIAL 86

52ND LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2016

A MEMORIAL

REQUESTING THE LEGISLATIVE FINANCE COMMITTEE TO ANALYZE AND
MAKE RECOMMENDATIONS REGARDING PRESCRIPTION DRUG COSTS AND
POSSIBILITIES FOR MAXIMIZING THE USE OF DISCOUNT DRUG PRICING
AVAILABLE UNDER FEDERAL LAW AND LEVERAGING THE STATE'S
PURCHASING POWER; REQUESTING THE OFFICE OF THE STATE AUDITOR TO
ASSESS FOR POSSIBLE DESIGNATION A STATE AGENCY OR AGENCIES FOR
A SPECIAL AUDIT WITH REGARD TO PRESCRIPTION DRUG PURCHASING
PRACTICES.

WHEREAS, while health care improves and saves lives, it
comes at a cost that is increasing year by year; and

WHEREAS, health care is a complex industry with many
interconnected players: providers, insurers, suppliers,
"middlemen" and consumers, each with differing relationships
and differing levels of bargaining power; and

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1 WHEREAS, suppliers of prescription drugs provide New
2 Mexicans with lifesaving and otherwise effective treatments,
3 and while their industry is one of the most complex and
4 includes manufacturers of generic and brand-name
5 pharmaceuticals, pharmaceutical benefits managers, chain and
6 independent pharmacies and private and public payer sources;
7 and

8 WHEREAS, in its 2013 report on health coverage for state
9 employees and retirees, the legislative finance committee found
10 that, despite an overall decline in state employee benefits
11 membership and a requirement to increase the use of generic
12 drugs, pharmaceutical costs continued to increase greatly; and

13 WHEREAS, between fiscal years 2014 and 2015, the average
14 prescription drug costs for state employees covered through the
15 risk management division of the general services department
16 rose by fifteen percent, from sixty-five dollars seventy-five
17 cents (\$65.75) per prescription drug to seventy-five dollars
18 fifty-nine cents (\$75.59) per prescription drug; and

19 WHEREAS, between fiscal years 2014 and 2015, the average
20 prescription drug costs for public school employees covered
21 through the public school insurance authority rose by ten
22 percent, from sixty-seven dollars ninety-seven cents (\$67.97)
23 per prescription drug to seventy-four dollars seventy-five
24 cents (\$74.75) per prescription drug; and

25 WHEREAS, between fiscal years 2014 and 2015, the average

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1 prescription drug costs for Albuquerque public school district
2 employees covered through the Albuquerque public school
3 district rose by thirteen and nine-tenths percent, from sixty-
4 nine dollars four cents (\$69.04) per prescription drug to
5 seventy-eight dollars sixty-four cents (\$78.64) per
6 prescription drug; and

7 WHEREAS, between fiscal years 2014 and 2015, the average
8 prescription drug costs for enrollees covered through retiree
9 health care authority plans who were enrolled in federal
10 medicare coverage rose by five and two-tenths percent, from
11 ninety dollars seventy-two cents (\$90.72) per prescription drug
12 to ninety-five dollars forty-six cents (\$95.46) per
13 prescription drug, while the average prescription drug costs
14 for those retiree health care authority plan enrollees not
15 enrolled in medicare rose by four and four-tenths percent, from
16 eighty-three dollars forty-eight cents (\$83.48) per
17 prescription drug to eighty-seven dollars nineteen cents
18 (\$87.19) per prescription drug; and

19 WHEREAS, excluding prescription drugs for retiree health
20 care authority plan enrollees, prescription drug costs for
21 state employees covered through the Health Care Purchasing Act
22 rose on average by fifteen percent between fiscal years 2014
23 and 2015; and

24 WHEREAS, the corrections department's prescription drug
25 costs have risen precipitously in recent years, mostly due to

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1 the high cost of drugs to cure hepatitis C, from approximately
2 five million five hundred thousand dollars (\$5,500,000) in
3 fiscal year 2015 to twelve million four hundred thousand
4 dollars (\$12,400,000) in budget requests for fiscal year 2016;
5 and

6 WHEREAS, the corrections department reports that its high
7 prescription drug costs are due largely to the fact that
8 roughly one-half of the inmates in corrections department
9 custody are living with hepatitis C; and

10 WHEREAS, the corrections department currently provides
11 prescription drugs and other health care to inmates in its
12 custody through a contract with a private, for-profit managed
13 care organization; and

14 WHEREAS, under the federal 340B drug pricing program, the
15 federal government requires drug manufacturers to provide
16 outpatient drugs to certain eligible outpatient health care
17 providers at a significant discount; and

18 WHEREAS, historically, the corrections department availed
19 itself of the 340B program's deep discounts for prescription
20 drugs by contracting with the 340B-eligible department of
21 health to deliver health care to inmates living with HIV/AIDS
22 and hepatitis C; and

23 WHEREAS, the state's medicaid program, administered by the
24 human services department, budgeted one hundred forty million
25 dollars (\$140,000,000) for hepatitis C treatments in fiscal

1 year 2015 alone; and

2 WHEREAS, medicaid prescription drug costs rose by ninety-
3 five million dollars (\$95,000,000) in just one year, between
4 fiscal years 2014 and 2015, from two hundred fourteen million
5 seven hundred eight thousand five hundred eighty-eight dollars
6 (\$214,708,588) in fiscal year 2014 to three hundred nine
7 million seven hundred seventy-three thousand nine hundred
8 thirteen dollars (\$309,773,913) in fiscal year 2015; and

9 WHEREAS, the department of health, which spent fifteen
10 million six hundred seventy-five thousand five hundred fifty-
11 seven dollars (\$15,675,557) for prescription drugs and vaccines
12 in fiscal year 2015, has requested twenty-one million seven
13 hundred seventy-seven thousand dollars (\$21,777,000) in its
14 budget request for fiscal year 2016 and a budget adjustment
15 request; and

16 WHEREAS, the university of New Mexico hospitals'
17 outpatient pharmaceutical costs are projected to rise by
18 twenty-three percent, or six million nine hundred sixty-eight
19 thousand four hundred thirty-four dollars (\$6,968,434), from
20 fiscal year 2015 costs; and

21 WHEREAS, some states are taking advantage of their
22 prescription drug purchasing power and see an opportunity to
23 increase that purchasing power through collaboration among
24 state agencies and through combining purchasing power with
25 other states; and

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1 WHEREAS, the states of Washington and Oregon have
2 implemented a prescription drug discount card program for their
3 residents, offering discounts that reportedly average forty-two
4 percent off retail prices; and

5 WHEREAS, Delaware, Iowa, Maine, Mississippi, North Dakota,
6 Oregon, Utah, Vermont, West Virginia and Wyoming have recently
7 formed the sovereign states drug consortium, which is the first
8 state-administered multistate medicaid supplemental drug rebate
9 pool. Through the sovereign states drug consortium, these
10 states deal directly with drug manufacturers rather than
11 relying on middlemen, and they reap savings by directly
12 negotiating discounts and rebates; and

13 WHEREAS, Louisiana, Maryland, Connecticut, Delaware,
14 Idaho, Nebraska, Pennsylvania and Wisconsin have reported
15 savings as much as twenty-seven million dollars (\$27,000,000),
16 nineteen million dollars (\$19,000,000) and sixteen million
17 dollars (\$16,000,000) for their medicaid programs achieved by
18 forming a buying pool organized by a third-party contractor,
19 called the state medicaid pharmaceutical purchasing pool, to
20 negotiate lower prescription drug prices for an estimated
21 overall one million three hundred thousand medicaid recipients;

22 NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF
23 REPRESENTATIVES OF THE STATE OF NEW MEXICO that the legislative
24 finance committee be requested to perform an analysis of
25 prescription drug costs across state agencies, including the

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1 human services department; the department of health; the
2 children, youth and families department; the corrections
3 department; the university of New Mexico hospitals system; and
4 the agencies of the interagency benefits advisory committee;
5 and

6 BE IT FURTHER RESOLVED that the legislative finance
7 committee be requested to conduct an analysis of the potential
8 savings of slowing the growth of prescription drug costs
9 through consolidated purchasing among state agencies as well as
10 the potential savings by entering into prescription drug buying
11 pools or other such efforts to leverage buying power with other
12 states; and

13 BE IT FURTHER RESOLVED that the legislative finance
14 committee be requested to explore the potential for the state,
15 by itself or in collaboration with other states, to use its
16 purchasing power to achieve discounts in prescription drug
17 costs for all New Mexico residents; and

18 BE IT FURTHER RESOLVED that the office of the state
19 auditor be requested to assess for possible designation for a
20 special audit pursuant to Subsection C of Section 12-6-3 NMSA
21 1978 the human services department, the department of health,
22 the children, youth and families department, the corrections
23 department, the university of New Mexico hospitals system, the
24 risk management division of the general services department,
25 the public school insurance authority, the Albuquerque public

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1 school district or the retiree health care authority with
2 regard to prescription drug purchasing practices; and

3 BE IT FURTHER RESOLVED that the legislative finance
4 committee be requested to update its 2013 report on health
5 benefits for state employees and include in its analysis an
6 examination of the costs that prescription drugs represent for
7 state employees and retiree health care; and

8 BE IT FURTHER RESOLVED that the legislative finance
9 committee be requested to examine the role of the many
10 contributors to the delivery of pharmaceutical therapies,
11 including public and private health coverage carriers and
12 administrators, pharmacy benefits managers, manufacturers and
13 distributors of prescription drugs and pharmacies, and how
14 state agencies may leverage their relationships with these
15 entities to decrease pharmaceutical cost growth; and

16 BE IT FURTHER RESOLVED that the legislative finance
17 committee staff be requested to report the findings of its
18 study to the legislative health and human services committee
19 and to the legislative finance committee by December 1, 2016;
20 and

21 BE IT FURTHER RESOLVED that copies of this memorial be
22 transmitted to the governor, the state auditor, the chair, vice
23 chair and director of the legislative finance committee and the
24 chair and vice chair of the legislative health and human
25 services committee.

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