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FISCAL IMPACT REPORT

SPONSOR HHHC ORIGINAL DATE 2/3/17
 LAST UPDATED 3/1/17 HB 153/HHHCS

SHORT TITLE Health Care Parity of Access and Payment SB _____

ANALYST Chilton

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI*	NFI*	NFI*	NFI*		

(Parenthesis () Indicate Expenditure Decreases) *No definite fiscal impact, but see the discussion under “Significant Issues.”

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Insurance Authority (PSIA)
 Office of the Superintendent of Insurance (OSI)
 Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of Committee Substitute

House Bill 153 would require that health insurance plans offering prescription drug or device coverage make available local pharmacy supply of those drugs and devices with the same co-payment or coinsurance requirement of the patient as would be available for the same drug or device purchased through a U.S. mail-order pharmacy. Each section of the bill repeats the same requirements and same definitions. “Community pharmacies,” as defined in the bill, are located within New Mexico and operate as retail pharmacies and agree to the insurer’s contracted payment rate. “Participating mail-order pharmacies” must be registered in or headquartered in New Mexico and deliver drugs or devices to patients via the postal service or another delivery service. In both cases, the definitions hold regardless of the cost of the drugs obtained through those pharmacies, and both would be ineligible if they had been convicted of, or settled a case for, fraud, waste or abuse.

Each section of the bill repeats the same requirements for a different category of health plan, as indicated in the table below:

Section of HB 11	Type of Insurance covered
1	Group health coverage, including self-insurance, issued or renewed through the Health Care Purchasing Act
2	Individual or group health insurance policies, health care plans, and certificates of insurance
3	Group or blanket health care policies, health care plans, and certificates of insurance
4	Individual or group health maintenance organization
5	Individual or group health care plans

FISCAL IMPLICATIONS

None known, although OSI notes “Because the mail-order pharmacies can offer discounted rates through high-volume purchases that community-based pharmacies cannot, this may impact the insurance companies' purchasing leverage to keep prescription drug costs down. Splitting their purchasing power across a multitude of groups negotiating drug prices rather than one group might not be the right way to go. Although the retail pharmacy is required to accept reimbursement at the same rate as a mail order pharmacy, it may play off this dynamic to mitigate some of the costs. Taking away volume from mail order pharmacies would probably not be that helpful in controlling drug costs.” It might result in an increase in drug costs to self-funded programs, such as state employee benefit programs.

PSIA makes a similar point: that its self-insured plan would have to review its drug and device costs to be sure that use of community pharmacies would not cause an increase in its costs.

OTHER SUBSTANTIVE ISSUES

OSI notes that “This bill would also presumably provide some protections against loss/closure of the community pharmacy, although if the reimbursement that the local pharmacy receives is extremely low, it could also further the decline of the local small businesses.”

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Patient use of local pharmacies might continue to be disallowed by insurers or to be subject to higher co-pays and coinsurance than use of mail-order pharmacies, affecting negatively the amount of business done by the local pharmacies.

LAC/jle