

LFC Requester:	RubyAnn Esquibel
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Bill Number: 1.29.25 *Check all that apply:*
HB174 Original Correction
 Amendment Substitute

Sponsor: Gail Armstrong **Agency Name and Code:** New Mexico Retiree Health Care Authority 34300
Short Title: Pharmacy Reimbursement for Certain Plans **Number:** _____
Person Writing: Mark Hayden **Phone:** 505-377-9012 **Email:** mark.hayden@rhca.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0	\$340.0	\$630.0	\$970.0	Recurring	NM Benefits Fund

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: The Bill is related to health insurance, specifically to pharmacy benefits, requiring health insurance that is provided as part of the health care purchasing act to reimburse community-based pharmacies for the full cost of prescription drugs plus a professional dispensing fee.

FISCAL IMPLICATIONS

New Mexico Retiree Health Care Authority Non-Medicare (commercial) and Medicare (EGWP) National Average Drug Acquisition Cost (NADAC) adjudication platform would most likely result in lower gross claims costs. However, the claims savings are likely to more than offset by higher dispensing and administrative fees. We anticipate a change from the current pricing methodology to NADAC pricing for the independent pharmacies only will increase costs to NMRHCA by about \$970,000, which represents the following:

FY2026	Gross Costs	Dispensing Fee	Admin Fee	Total
Total				
Current	\$6,849,000	\$22,000	\$1,087,000	\$7,957,000
NADAC	\$6,435,000	\$585,000	\$1,277,000	\$8,297,000
Difference	-\$414,000	\$563,000	\$190,000	\$340,000

FY2027	Gross Costs	Dispensing Fee	Admin Fee	Total
Total				
Current	\$15,117,000	\$46,000	\$2,174,000	\$17,336,000
NADAC	\$14,189,000	\$1,223,000	\$2,554,000	\$17,966,000
Difference	-\$928,000	\$1,177,000	\$380,000	\$630,000

While Gross costs are decreasing as a result of this Bill, dispensing and administrative fees are increasing to offset the gross cost reduction. This results in an estimated impact as shown of \$970 thousand over the two fiscal years.

- As of FY2027, it is projected that this Bill would increase costs approximately 3.6% relative to \$17.4M, which reflects independent retail pharmacy costs plus dispensing and administrative fees.
- In FY27, this Bill is anticipated to increase costs at all retail pharmacies including dispensing fees and administrative fees 0.68% or approximately 0.3% in total RHCA's projected drug costs (including retail, mail and specialty pharmacies).

The NADAC Pricing analysis applies to approximately 72 independent retail pharmacies in the NM contracted network.

SIGNIFICANT ISSUES

The agency would no longer have the ability to negotiate the drugs listed under NADAC in contracts that agency would normally require PBMs to obtain best pricing for prescriptions. This could be more complicated as it does take into account rebates in lower cost for employer group plans. Agency would rely on the NADAC pricing and pharmacies abilities to obtain best contracting prices. Pharmacy's ability would be through their own purchasing arrangements

with wholesalers who are their intermediaries in the supply chain to receive best prices that would dictate the cost of drugs in how it is reported back to NADAC surveys.

- The increase in reimbursement rates could result in higher premiums and out-of-pocket costs for members.

PERFORMANCE IMPLICATIONS

- Under a NADAC based model, our PBM would remove the discount and dispense fee guarantees. The reason for this removal is that the PBM negotiated contracts no longer determine those prices.
- NADAC pricing only applies to retail pharmacies, does not include Mail Order and PBM-owned specialty pharmacies. Not all drugs have corresponding NADAC price and PBM AWP discounts would continue for those drugs not subject to NADAC. NADAC also excludes compound claims. Under current NADAC, most drugs included in the NADAC pricing are generics and brands. However, not all are currently covered and most specialty medications.
- The increase in reimbursement rates could result in higher premiums and out-of-pocket costs for members.

ADMINISTRATIVE IMPLICATIONS

Change to NADAC pricing will require renegotiations of current contracts that run on a fiscal year set to expire June 30, 2026. The process to release, obtain requests for proposals, evaluate, select with board approvals, and implementation of a new vendor and model would be difficult to do in an efficient and responsible manner to meet the requirement of January 1, 2026. In addition, this would limit the options available for the agency when requesting competitive proposals as this would be the only type of contract, therefore limiting the agencies' ability to look at alternative options that may be more beneficial to members in limiting premium increases.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

NADAC pricing can change month to month which could affect ability to project costs and budget. NADAC only applies to retail pharmacies. NADAC pricing may not take into account regional differences. Bill could create inequity in favoring community-based pharmacies over larger chain pharmacies which may lead to legal challenges. As big box stores such as CVS, Walgreens, and others start reporting to NADAC this could drive lower reimbursement rates therefore affecting independent pharmacies from getting the ingredient reimbursement costs needed.

OTHER SUBSTANTIVE ISSUES

SB174 conflicts with the authority granted to the Board of Directors under 10-7C-5. Authority Created and 10-7C-6 Board created; membership; authority for the New Mexico Retiree Health Care Authority, as it relates to administration of the Retiree Health Care Act.

ALTERNATIVES

All pricing methodologies would be evaluated such as Pass-through, Traditional (Spread

Pricing), NADAC and hybrids for the best approach on behalf of the members the agency represents but also impact in communities to ensure access. This may mean not utilizing the current traditional model when requesting proposals or contracting.

In addition, alternatives would be to adjust the discounts from Average Wholesale Pricing (AWP) and provide a higher dispensing fee to the independent pharmacies. Under this approach the current AWP methodology is maintained. Another option could be to carve out local independent pharmacies from pricing guarantees without added administrative fees.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The agency and other procuring agencies in IBAC (Interagency Benefits Advisory Committee) will continue by evaluating competitive requests for proposals considering the ever-changing demands of members and access to pharmacies for improvements while balancing rising costs in health care to include prescription costs.

AMENDMENTS

None.