

LFC Requester:

Eric Chenier

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](https://www.legis.nm.gov/AgencyAnalysis) 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}*

Date Prepared: 1/29/25

Check all that apply:

Bill Number: HB174

Original Correction Amendment Substitute

Sponsor: Rep. Gail Armstrong
 Short Title: Pharmacy Reimbursement for
 Certain Plans

Agency Name

and Code HCA 630

Number:

Person Writing Keenan Ryan

Phone: 505.396.0223 Email Keenan.ryan@hca.nm.

SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0	\$0	N/A	N/A

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0	\$0	\$0	N/A	N/A

(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	N/A	\$325.7	Minimum \$651.3	\$977.0*	Recurring	State General

						Fund (through the State Health Benefits Fund)
Total	N/A	\$175.4	Minimum \$350.7*	\$526.0*	Recurring	Cost to Employees (premiums)
Total	N/A	\$105.0	Minimum \$210.0*	\$315.0*	Recurring	Cost to Employees (cost- sharing)

(Parenthesis () Indicate Expenditure Decreases)

*Impact reflects minimum; amount likely to be higher due to growth trend in prescription drug costs.

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: This bill would require group health coverage, including any form of self-insurance, offered, issued or renewed under the Health Care Purchasing Act that offers a prescription drug benefit to pay community pharmacies, a professional dispensing fee that is no lower than the professional dispensing fee Medicaid pays to community pharmacies. The current professional dispensing fee for community pharmacies in Medicaid \$10.30.

Community pharmacies are defined as:

- (a) open to the public for prescriptions to be filled, regardless of the facility or practice where the prescription was written;
- (b) located in the state or near the state border, if the border town is a primary source of prescription drugs for Medicaid recipients residing in the border area; and
- (c) not: 1) government-owned; 2) hospital-owned; 3) owned by a corporation that owns hospitals; 4) an extension of a medical practice or special facility; 5) owned by a corporate chain of pharmacies with stores outside of defined as the state; or 6) a mail-order pharmacy

FISCAL IMPLICATIONS

Medicaid

Medicaid already provides this same professional dispensing fee to community pharmacies and thus not expected to increase rates. Additionally oversight of this bill is not in Medicaid's purview and would not be expected to increase administrative cost either.

State Health Benefits

1. Ingredient Costs:

- a. Changing the basis for ingredient cost reimbursement to NADAC will result in an increase in annual costs.
- b. The increase attributable to changing the methodology for community-based pharmacies to NADAC is \$372,000 in FY26.

2. Cost Attribution:

- a. The increased costs will be shared between employees enrolled in a State of NM health plan and the State. State Health Benefit premiums are split between the

state as the employer (which pays approximately 65% of the cost) and employees (who pay approximately 35% of the cost). There would also be impacts to member out-of-pocket cost-sharing.

1. **Total Premium Impact:** \$1,002,000 per calendar year
 - a. **Member Premium Impact:** \$350,700 per calendar year
 - b. **State Premium Impact:** \$651,300
 2. **Member Out-of-Pocket Cost Impact:** \$210,000
 3. **Total Member Impact (premium + out-of-pocket):** \$560,700
 4. **Total General Fund Plan Impact:** \$651,300
2. **Examples of Medication Costs:**
- a. If the ingredient cost of New Mexico's discounted AWP for a generic medication is \$3 but the NADAC price is \$10, the total cost to the state and the member would increase. The maximum member co-pay for a generic drug is currently \$6, meaning that the member's cost sharing would increase by \$3 and the state's ingredient cost would increase by \$4.
 - b. Assuming no change in the ingredient cost, the member cost sharing could increase if the ingredient cost due to NADAC pricing, an increase in the dispensing fee could impact the member co-pay. For example, if the ingredient cost is \$1 and the current dispensing fee is \$2, the member's co-pay would be \$3. If the dispensing fee increased to \$10, the member's co-pay would increase to the maximum of \$6 and the state's cost would increase to \$5.
 - c. Member cost sharing is unlikely to be impacted for more expensive drugs because the ingredient cost is likely much higher than the member's co-pay. For example, if a brand name drug costs \$200 and the member co-pay is \$40, the increased dispensing fee would not impact the member because they have already reached their co-pay limit. The additional \$10 would be borne by the state.

SIGNIFICANT ISSUES

State Health Benefits

1. **Impact on Member Co-Pays:**
 - a. Member co-pays for generic drugs (\$6) may increase if the current cost of the prescription drug is less than \$6, because the increased ingredient cost or dispensing fee would exceed the current co-pay amount.
 - b. For brand-name drugs, member costs are unlikely to change, as these drugs typically cost more than the co-pay threshold.
2. **Premium Impacts:**
 - a. The added costs from this bill would likely result in an increase in premium rates, affecting both employee and employer contributions. These costs are reflected in the Operating Budget Impact table and Fiscal Impacts sections above.
3. **Impact on PBM Contracts:**
 - a. The SHB PBM would need to update its contracts with community pharmacies to reflect new reimbursement rates.
 - b. Prescriptions filled at community pharmacies would likely be excluded from certain guarantees offered by the PBM, slightly reducing the value of these guarantees to the HCA.
4. **Impact on SHB Projected Shortfall:**

- a. The State Health Benefit Fund currently has a projected shortfall due to higher claim costs than premium collections. This bill would contribute to the projected shortfall if there were not an adjustment to the premium rate to reflect the new pricing requirements.

PERFORMANCE IMPLICATIONS

None

ADMINISTRATIVE IMPLICATIONS

None

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

None

OTHER SUBSTANTIVE ISSUES

Community pharmacies can be vital lifelines in rural communities, often serving as the primary access point for essential healthcare services. These pharmacies play a crucial role in ensuring local residents have convenient access to medications, health supplies, and professional advice without needing to travel long distances. In many cases, community pharmacists are not only trusted healthcare providers but also key community members who understand the unique health needs and challenges of their rural neighbors. Beyond dispensing medications, they can offer personalized care, medication management, and health education, which are especially valuable in areas with limited access to physician care.

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo reimbursement to pharmacies

AMENDMENTS