FISCAL IMPACT REPORT

SPONSOR Hickey **LAST UPDATED** **ORIGINAL DATE** 3/20/2025

SHORT TITLE No Prior Authorization for Certain Drugs **BILL NUMBER** Senate Bill 477

ANALYST Esquibel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMPSIA		$10,800.0	$16,200.0	$27,000.0	Recurring	NMPSIA Fund
RHCA		$2,100.0	$2,300.0	$4,400.0	Recurring	RHCA Fund
Medicaid		$292,084.9	$292,084.9	$584,169.8	Recurring	General Fund, Matching Federal Funds
State Health Benefit Plan		$19,370.0	$21,190.0	$40,560.0	Recurring	SHBP Fund
UNMHSC		Up to $23,000.0	Up to $23,700.0	$46,700.0	Recurring	Operating Funds
Total		$347,354.9	$355,474.9	$702,829.8	Recurring	Multiple

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information
LFC Files

Agency Analysis Received From
Department of Health (DOH)
Health Care Authority (HCA)
New Mexico Public School Insurance Authority (NMPSIA)
Regulation and Licensing Department (RLD)
Retiree Health Care Authority (RHCA)
Office of Superintendent of Insurance (OSI)
University of New Mexico Health Sciences Center (UNM-HSC)

SUMMARY

Synopsis of Senate Bill 4777

Senate Bill 477 (SB477) would add medications for which prior authorization or step therapy (the practice of requiring a patient to use less expensive and less effective medicine first) is prohibited to include drugs used to (1) treat or prevent cholesterol disorders; (2) prevent autoimmune disorders, cancer, and substance use disorders (current law already prohibits prior authorization for drugs used to treat these disorders); (3) glucagon-like peptide-1 agonists, glucose-dependent insulinotropic polypeptide, and glucagon-like peptide-1 receptor agonists (GLP-1s).

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The New Mexico Public School Insurance Authority (NMPSIA) reports under the provisions of the bill the authority could have an estimated impact of $10.8 million impact in the first year. The estimate reflects the cost of the medications, loss of potential savings from improved medication utilization, reduced costs from rebates, and administrative fees.

The Retiree Health Care Authority (RHCA) reports under the provisions of the bill the authority could have an estimated impact of $2.1 million impact in the first year.

The Health Care Authority (HCA) estimates under the provisions of the bill the costs for Medicaid would be $82.8 million a year from the general fund matched with $209.3 million in federal funds, for a total of $292.1 million a year.

HCA estimates the state health benefits plan (SHB) would likely incur a cost of $19.4 million in the first year under the provisions of the bill.

The University of New Mexico Health Sciences Center (UNM-HSC) reports the provisions of SB477 could significantly increase pharmaceutical costs for UNM-HSC, both in the self-insured health plan and in the UNM Care program. UNMH's self-insured health plan does not currently cover GLP-1s for the prevention of cholesterol disorders. Adding this coverage would cost approximately $11 million annually. UNM Care covers the cost of care at UNMH for some low-income New Mexicans. Approximately 5,000 patients are currently enrolled in UNM Care. If 20 percent of those patients were prescribed a GLP-1 to prevent high cholesterol, program costs would increase by $12 million annually. The fiscal impact estimate assumes 3 percent annual inflation.

OSI is unable to determine if the prior authorization and step-therapy prohibition will have an impact on premiums because of the multiple uses of GLP-1s.

SIGNIFICANT ISSUES

UNM-HSC notes the legislation removes the requirement of a medical necessity determination in the section prohibiting prior authorization but retains it in the section prohibiting step therapy.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB477 is similar to Senate Bill 39 and Senate Bill 207, which also attempt to prohibit practices that restrict access to certain medications.

TECHNICAL ISSUES

The Regulation and Licensing Department notes compounded drugs are not FDA-approved.

HCA notes there is potential conflict with federal Medicaid requirements regarding medical

necessity.

OTHER SUBSTANTIVE ISSUES

RHCA notes GLP-1 research is not sufficiently mature to ensure safety and efficacy, particularly regarding the side effects for the older population that RHCA serves. Many studies show muscle loss, including of the heart, as a side effect, which is a concern in an older population related to fall prevention. Although some research shows the drugs could help with Alzheimer's.

RAE/hg/sgs