LFC Requester:	Eric Chenier

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}

Date Prepared: *2/23/25*
Bill Number: HB461

Check all that apply:
Original x_ Correction __
Amendment __ Substitute __

Sponsor: Rep. Doreen Gallegos
Short Title: Prior Authorizations Process Exemptions

Agency Name and Code Number: HCA-630
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	**FY26**		
$0.0	$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	$0.0	$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
HCA FTE	$0.0	$39.5	$39.5	$79.0	recurring	GF to HCA
HCA FTE	$0.0	$39.5	$39.5	$79.0	recurring	FF to HCA
IRO Review	$0.0	$218.0	$218.0	$436.0	recurring	GF to HCA

ITD: FS Change	$0.0	$540.0	$0.0	$540.0	Nonrecurring	FF to HCA
ITD: FS Change	$0.0	$60.0	$0.0	$60.0	Nonrecurring	GF to HCA
Total	$0.0	$897.0	$297.0	$1,194.0		

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: Not known
Duplicates/Relates to Appropriation in the General Appropriation Act: Not known

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Bill 461 (HB461) looks to create a process to exempt providers who have prior authorization approval rates of greater than 90%, from needing to furnish prior authorization on future orders.

The bill creates guidance for:

- Time period for review
- Approval rate of prior authorizations by a provider before exception is granted
- Requirement for insurer to notify the provider in writing, with explanation
- Process for rescinding exception for prior authorization, including appeal and review by an independent review organization (IRO)
- Requirement and authority of independent review organizations
- Stipulations for cases of fraud and abuse for providers

FISCAL IMPLICATIONS

This bill only edits the insurance code (Chapter 59) so it is not clear that it applies to Medicaid. If it does apply to Medicaid, the HCA would need a full-time Pharmacy Technician III to implement this program for Fee-for-Service Medicaid and for oversight of the Managed Care Organization (MCO) prior authorization exemption program. The cost of a Pharmacy Technician III annually is $78,900 which is split $39,450 from the general fund and $39,450 from the federal funds.

Contracting with an independent review organization and accessing medical records will increase operating costs for MAD. In another state the cost for each prior authorization exemption request was $460. Based on the “New Mexico Health Care Workforce Committee 2024 Annual Report” there are 5,270 Primary Care Physicians, OB-GYN Physicians, Psychiatrists, Physician Assistants, Nurse Practitioner and Nurse Midwives. Assuming 90% are registered with Medicaid and only 10% of those 4,743 providers request exemption per year there would be an additional cost of $218,040.0 per year.

This bill will likely impact State Health Benefits (SHB), but the cost to the plan is indeterminable. SHB has requested an administrative and fiscal impact from its administrative services organizations and will update its analysis if there are any major issues identified. The administrative burden on SHB could increase due to additional system tracking, monitoring of provider exemption lists, and oversight responsibilities to ensure compliance with fraud, waste, and abuse prevention measures. If implementation of prior authorization exemptions leads to increased utilization of certain services or medications, it could affect overall plan costs. Increased utilization without prior authorization oversight may also impact the SHB’s ability to negotiate

provider rates or identify cost-saving opportunities through utilization management strategies.

SIGNIFICANT ISSUES

This bill limits the exemptions by insurance type. If a provider maintains a high rate of approval, they would be required to go through this process with each insurance company separately. In Medicaid this would apply to five plans: four managed care plans and one Fee-for-Service plan. Exempting from all applicable plans could be laborious on providers. Oversight post prior authorization exemption could limit the MCO and HCA's ability to evaluate for high utilization including inappropriate medication prescribing if a clinician's prescribing practice changed. Similarly, the SHB may experience challenges in identifying inappropriate or high-cost prescribing trends across its covered population, which could lead to increased costs and potential impacts on premium rates or future plan design.

PERFORMANCE IMPLICATIONS

None

ADMINISTRATIVE IMPLICATIONS

The Financial Services (FS) Module of the Medicaid Management Information System Replacement (MMISR) will require a system change to implement this bill. The change is expected to occur in state fiscal year 2026 and would cost approximately $600,000.00 to complete. This is anticipated to be with 90% Federal Funds and 10% State Funds, or $540,000.00 Federal Funds and $60,000.00 State Funds.

By leveraging its prior experience with other contracts and the advanced capabilities of the Jiva platform, the Third-Party Assessor (Comagine) is well-equipped to implement the prior authorization exemption process mandated by HB0461. Through essential collaboration with the HCA and ongoing performance monitoring, the TPA aims to enhance operational efficiency, reduce administrative burdens for healthcare professionals, and achieve long-term cost savings, ultimately improving access to timely and appropriate care for New Mexico's residents.

For the State Health Benefits (SHB) program, implementation may require additional system updates within administrative service organizations (ASOs) to track provider exemptions, ensure compliance with regulatory requirements, and audit provider utilization patterns. Depending on the volume of exemption requests and ongoing oversight needs, SHB may require additional system enhancements to manage and monitor the exemption process effectively.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

The point-of-sale adjudication system for pharmacy would need edits to prevent exempted providers from receiving prior authorization requests. The list of providers will need to be maintained regularly and audited for appropriateness. Each time the list is changed represents a small but persistent cost to HCA.

There are specific medications and/or classes of medication that are limited to specific provider types. It is not clear if this exempts provider type requirement.

It is not clear if this bill applies only to medication-associated prior authorizations or all prior

authorization in healthcare (ie durable medical equipment).

OTHER SUBSTANTIVE ISSUES
None

ALTERNATIVES
SB263 is a near identical bill but does not have provisions for fraud or abuse.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL
Status Quo

AMENDMENTS
None