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: 2/21/2025 *Check all that apply:*
Bill Number: HB570 Original _X_ Correction _
Amendment _ Substitute _

Sponsor: Jenifer Jones, Elizabeth "Liz" Thomson, Joshua N. Hernandez
Short Title: Prior Authorization Requirement Changes
Agency Name and Code Number: New Mexico Public Schools Insurance Authority 34200
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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	$4,500.00	$10,800 - $22,900	$16,200 - $29,300	$31,500 - $56,700	Recurring	NMPSIA Benefits

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

HB570 adds new sections to the Prior Authorization Act to enact the following:

1. Health insurers shall not require Prior Authorization (PA) for covered Chemotherapy, Dialysis, Elder Care, or Home Health Care services
2. The allowance of health insurers to require a provider to provide notification after the initiation of Chemotherapy, Dialysis, Elder Care, or Home Health Care services
3. The allowance of health insurers to require a provider to develop and submit a treatment plan for a covered person receiving Chemotherapy, Dialysis, Elder Care, or Home Health Care services in a manner that is compliant with federal law.

Section 59A-22B-8 NMSA is amended to include coverage of and the elimination of step therapy for medication that is prescribed for the treatment of diabetes and high blood pressure in addition to autoimmune disorders, cancers, or substance use disorders, under a medical necessity determination, except when a biosimilar, interchangeable biologic or generic version is available.

FISCAL IMPLICATIONS

While the plan will incur costs, the short timeframe prevents PSIA from confidently predicting those costs with any degree of accuracy. Above, the Estimated Additional Operating Budget Impact table has been completed to reflect the suggested amendment to Section 59A-22B-8 NMSA and reflects estimated increases to the costs for the treatment of diabetes and high blood pressure only.

There is still uncertainty in cost projections for the first part of the bill, relating to the removal of Prior Authorizations for Chemotherapy, Dialysis, Elder Care, or Home Health Care services due to the time limitation. The bill takes away current safeguards by removing the PA process, which will increase utilization both In-network (INN) and Out-of-network (OON). Additionally, there is potential for an increase in members getting services that are not defined as a medical necessity for the condition. These instances will not be realized until after the claim has been paid by NMPSIA.

Our current plan design pertaining to Home Health Care and Home I.V. services requires a PA, although slim, the bill opens the opportunity for the abuse of members qualifying for this service or exceeding the prescribed duration of the service, which would lead to higher costs.

By combining all these factors—UM savings, rebate adjustments, and management costs for a custom formulary—NMPSIA concludes there will be a $31.5 - $56.7 million cost associated with the removal of UM for diabetes and high blood pressure. The final estimate reflects not just the cost of the treatment, but also the loss of potential savings from improved medication utilization, reduced costs from rebates, and any extra administrative fees.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

1. Reduction in Utilization Management (UM) Savings: UM savings refer to the cost savings that can be achieved by managing the utilization of medications and services (i.e. ensuring the appropriate use of certain drugs or services, controlling overuse, or applying specific criteria for approvals). Treatments that are prone to overuse or are high-cost may be subject to stricter UM controls, which could lead to a reduction in unnecessary prescriptions or lower-cost alternatives being prescribed. By reviewing historical data and industry benchmarks on the effectiveness of UM strategies (such as prior authorization, step therapy, or quantity limits), we estimate a reduction in savings to be significant.

2. Rebate Adjustments: When estimating costs, we account for the expected rebate amounts that may be received on the medications. The rebate could significantly reduce the effective cost of certain medications, meaning the payer will spend less than the list price for the drug. Rebate adjustments could involve both the anticipated amount of rebate and any changes in terms that could affect the final rebate, such as volume changes or renegotiated contracts.

3. Charges for Managing a Custom Formulary: A custom formulary refers to a tailored list of medications selected and managed by the PBM. Managing a custom formulary involves ongoing activities such as reviewing drug efficacy, safety, and cost-effectiveness, and may also include managing negotiations with drug manufacturers and ensuring compliance with plan requirements. These management costs were factored into the estimate as the PBM must devote resources to administering the formulary, tracking compliance, or managing exceptions.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The proposed additions to 59A-22B-8 potentially conflict with SB39, SB207, SB477.

TECHNICAL ISSUES

NMPSIA requires a more precise and detailed definition of "chemotherapy services" to ensure clarity and compliance with this bill upon its becoming law. Traditionally, chemotherapy was administered in a hospital or clinic setting, where patients would receive treatment via an intravenous (IV) drip. However, with advances in medical technology, chemotherapy can now be administered in several ways, including:

- Oral chemotherapy
- Home infusion therapy
- Outpatient infusion centers

By providing a more detailed definition of chemotherapy services, the bill ensures that insurance companies understand what exactly is included in the legislation. Without clarity, there could be confusion or inconsistencies in how claims are processed, potentially leading to delays or approvals of coverage for treatments that are not medically necessary.

OTHER SUBSTANTIVE ISSUES

These categories of care are undefined in the bill and could be read broadly to include, restricting prior authorization for any dialysis site of care, restricting prior authorization for any home health services including physical therapy or nursing care.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS