

LFC Requester:	Eric Chenier
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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: 2.21.25 *Check all that apply:*
HB570 Original Correction
 Amendment Substitute

Sponsor:	<u>Jenifer Jones, Elizabeth "Liz" Thomson, Joshua N. Hernandez</u>	Agency Name and Code Number:	<u>New Mexico Retiree Health Care Authority 34300</u>
Short Title:	<u>Prior Authorization Requirement Changes</u>	Person Writing Phone:	<u>Mark Hayden 505-377-9012</u>
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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	\$171.1	\$2,155.2	\$2,263	\$4,589.3	Recurring	RHCA Benefits Fund

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: The Bill amends sections of the Prior Authorization Act to prohibit the imposition of prior authorization requirements for certain covered services and prescription medication. The key changes would prohibit prior authorizations for chemotherapy, dialysis services, elder care services, home health care services, and prescription drugs for certain conditions including diabetes and high blood pressure. In addition, prescription drugs for certain conditions of diabetes and high blood pressure would also prohibit step therapy requirements for medications approved by the Federal Food and Drug Administration except in cases in which biosimilar, interchangeable biologic, or a generic version is available.

FISCAL IMPLICATIONS

The financial impact on the New Mexico Retiree Health Care Authority is expected to increase. The removal of prior authorization may lead to a rise in the utilization of chemotherapy, dialysis, elder care, and home health care services. If these services lead to higher overall treatment costs, particularly for complex or chronic conditions, this could lead to an increase in expenditure for NMRHCA.

NMRHCA may also experience increased costs related to managing treatment plans and notifications post-initiation of services. Bypassing step therapy for diabetes and high blood pressure medications may prompt members to start with costlier drugs, bypassing cheaper, equally effective alternatives. Without these reviews, drug costs could inflate.

The cost has been determined to increase by over \$2 million for both full fiscal years, FY26 and FY27, as shown in the table above.

Eliminating prior authorization requirements for specific services may offset some of the cost impacts, reduce administrative burdens, and improve access to necessary treatments provided there is sufficient network to support the change.

SIGNIFICANT ISSUES

Prior authorization helps ensure treatments are medically necessary. While removing prior authorization can enhance access, there's a concern about ensuring that services provided without prior approval to maintain high quality and adherence to care standards. Removing these safeguards might lead to unnecessary or duplicative treatments, adding financial strain to our self-insured plans. This could potentially strain healthcare resources and lead to unnecessary expenditures. Easing these requirements on the pre-Medicare plans could drive up premiums or copays. Plans may also adjust formularies or networks to offset the higher utilization costs.

PERFORMANCE IMPLICATIONS

To ensure the effectiveness of these changes, health insurers and health agencies may need to implement robust monitoring and evaluation frameworks to assess the quality of care and its impact on health outcomes. Health agencies may also need to collect more data to track service utilization patterns post-implementation and determine the overall effect on patient health.

ADMINISTRATIVE IMPLICATIONS

Although insurers may have fewer administrative tasks, healthcare providers might face additional requirements in developing and submitting treatment plans, which could create a different form of administrative burden. Both health insurers and healthcare providers must adjust their internal processes to accommodate the new requirements related to notifications and treatment plans. This may involve training staff and updating systems. Insurers will likely need to set up monitoring systems to track when notifications are received and treatment plans are submitted, ensuring compliance while managing patient care effectively.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB461, SB39, SB207, SB263, SB477, related to Prior Authorization Act.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS