LFC Requester:	RubyAnn Esquibel

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: 2/10/2025
Bill Number: SB39

Check all that apply:
Original __ Correction _
Amendment X_ Substitute _

Sponsor: Elizabeth "Liz" Stefanics, Reena Szczepanski, Mimi Stewart, Carrie Hamblen
Agency Name and Code Number: New Mexico Public Schools Insurance Authority 34200
Short Title: ADD CLASSES TO PRIOR AUTHORIZATION DRUGS
Person Writing Kaylynn Roybal
Phone: 505-476-1672 **Email** kaylynn.roybal@psia.nm.gov

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	$222.5 to $1,310.0	$950.0 to $5,590.0	$1,000.0 to $5,960.0	$2,172.5 to $12,860.0	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

SB39 amends Section 59A-22B-2 NMSA 1978, adding a definition for the term "off-label", adds "voluntary or mandatory" and "recommended clinical review" to the definition of prior authorization, adds a definition for "rare disease or condition". The bill requires coverage of medications prescribed in the treatment of "rare disease or conditions" in addition to autoimmune disorder, cancer, or a substance use disorder. Medical necessity determinations are required to be automatically approved within seven days for standard determinations and twenty-four hours for emergency determinations. The bill prohibits step therapy requirements for an off-label medication that is prescribed for the treatment of a rare disease or condition, pursuant to a medical necessity determination made by a health care professional from the same or similar practice specialty that typically manages the medical condition, procedure or treatment under review, except in cases in which a biosimilar, interchangeable biologic or generic version is available.

FISCAL IMPLICATIONS

By combining all these factors—UM savings, rebate adjustments, and management costs for a custom formulary—NMPSIA concludes there will be a $2.2 to $12.9 million cost associated with the removal of UM for the treatment of rare diseases. The final estimate reflects not just the cost of the medications, 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 (i.e. ensuring the appropriate use of certain drugs, controlling overuse, or applying specific criteria for drug approvals). Medications 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

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS