LFC Requester:	Allegra Hernandez

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: 1/29/2025
Bill Number: SB120

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

Sponsor: Martin Hickey
Jeff Steinborn

Agency Name and Code Number: New Mexico Public Schools Insurance Authority 34200

Short Title: NO BEHAVIORAL HEALTH COST SHARING

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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	$6,424	$9,400 - $15,250	$13,300 - $26,700	$29,124 - $48,374	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

Senate Bill 120 amends the Health Care Purchasing Act and the New Mexico Insurance Code by removing the date limit provision that was set to expire on January 1, 2027, thereby making the prohibition of cost-sharing for behavioral health services permanent. The bill affects group health coverage, individual and group health insurance policies, health maintenance organizations, and the New Mexico Insurance Pool by continuing to prohibit copayments, coinsurance, and deductibles for behavioral health services.

Current Law:
Under Sections 13-7-26 NMSA 1978 and 59A-22-57 NMSA 1978, the existing law prohibits cost-sharing for behavioral health services, but this requirement was scheduled to expire on January 1, 2027. After that date, unless further legislative action was taken, cost-sharing requirements could be reinstated for these services.

Proposed Amendments in SB120:
The bill removes the phrase "[Until January 1, 2027]" from both Section 13-7-26(A) NMSA 1978 and Section 59A-22-57(A) NMSA 1978. These amendments ensure that the cost-sharing prohibition remains in place without an expiration date.

Definitions as Stated in the Bill:

- Behavioral Health Services: Includes inpatient care, detoxification, residential treatment, partial hospitalization, intensive outpatient therapy, outpatient services, and medications, including brand-name drugs when no generic is available.
- Cost Sharing: Any financial obligation of an enrollee other than premiums, including copayments, coinsurance, and deductibles.
- Copayment: A fixed dollar amount an enrollee must pay for health services.
- Coinsurance: A percentage of medical expenses an enrollee must pay after meeting a deductible.

SB120 does not introduce new provisions beyond the removal of the January 1, 2027, expiration date, ensuring the continuation of existing prohibitions on cost-sharing for behavioral health services.

FISCAL IMPLICATIONS

- Experience base used for future actual behavioral health expenses:
    - Base cost estimates used data available at time of SB317: incurred claims October 2018 – September 2020
    - Updates for FY26 and FY27 SB317, SB273 and SB120 estimates: incurred claims October 2023 – September 2024

- Medical cost trend per annum
    - Prior to CY2024: 6%
    - On and after CY2024: 8%
- Pharmacy cost trend per annum
    - Prior to CY2024: 9%
    - On and after CY2024: 14%
- Base medical utilization trend (i.e. increase in utilization per capita): 2%
- Induced utilization: 10% additional per year under high scenario; 10% in FY26 and 5% in FY27 per low scenario
- Adjust cost due to supply and demand, including higher costs for now-covered out-of-network care (provider status change, selection of high-cost providers)
    - Medical:
        - Low range: reduce induced utilization to 5% for FY27, increase proportion of spend that is Out-of-Network (OON) by 15% points, apply increase factors to reflect anticipated OON cost (1.5 times in-network that is shifted, 2x current OON)
        - High range: increase proportion of spend that is OON by 35% points, apply increase factors to reflect anticipated OON cost (3 times in-network that is shifted, 3 times increase current OON)
    - Pharmacy: additional 5% for FY26, assumed to level off after
- Projected costs without the impact of behavioral health legislation are based upon experience prior to January 1, 2022, with base utilization and cost trend assumptions and induced utilization and based cost trend factors assumed.
- Projected actual experience reflects general future cost trend, ongoing induced utilization plus additional cost and utilization shifts to address expansion to out-of-network behavioral health care.
- The impact to NMPSIA is the difference in projected plan paid costs according to standard plan provisions and the plan paid cost under legislated benefits; essentially the projected member paid portions.
- Segal considered NMPSIA experience, projected industry cost trends for behavioral health services and medications as well as available resources for behavioral health prevalence, treatment rates and provider access. Group experience and industry references regarding the relative cost for out-of-network compared to in-network cost differentials were utilized to estimate the impact of including out-of-network providers at 100% plan coverage levels.
- Our estimated impact reflects the projected additional plan spend due to SB120 and preceding legislation (i.e. SB317 effective January 1, 2022) compared to expected plan spend absent any of this legislation. The FIR amounts represent the high end of our estimates.

($ 000s)

Fiscal Year	SB317 Ongoing		SB120 Expansion		Total Impact	
	Low Range	High Range	Low Range	High Range	Low Range	High Range
FY25	$ 6,424	$ 6,424	$ 0	$ 0	$ 6,424	$ 6,424
FY26	$ 8,300	$ 8,300	$ 1,100	$ 6,950	$ 9,400	$15,250
FY27	$10,950	$11,400	$ 2,350	$15,300	$13,300	$26,700

SIGNIFICANT ISSUES

Behavioral health services cost and utilization have been outpacing those of other medical services since the inception of the original SB317 legislation and are continuing to do so. NMPSIA's plans had been applying full coverage for only in-network benefits; subsequent legislation is assumed to both remove the original sunset date and apply to out-of-network benefits as well. There does not appear to be any allowance for utilization management nor definition or certification of providers that are out-of-network, thus creating the potential for a wide range of services and potentially very high costs. Our estimates assume such a scenario; to the extent that utilization management and/or provider certification is allowed, our estimates may vary.

At this juncture, there isn't any analysis prepared as to the overall impact on enrollees' general health or offsetting reductions in total costs for members the cost-sharing restrictions mandated by SB 317. The removal of the sunset provision would make these cost-sharing restrictions permanent for NMPSIA and the regulated commercial market.

Induced utilization for behavioral health services may level off or vary from our assumptions depending upon providers' willingness to participate in networks at discounted rates as well as members' preferences for provider selection, including use of providers far from home. Based upon recent experience, we assumed ongoing higher induced utilization.

Out-of-network providers' costs will vary significantly, and we anticipate increased use of very high-cost providers. Our estimates are based upon a review of possible costs in the southwest as well as observed patterns where out-of-network behavioral health services are not managed. To the extent actual utilization varies from our assumptions, cost impacts will vary.

Prescription drugs covered for behavioral health services are based upon a list of national drug codes (NDCs) deemed to treat mental health and/or substance use disorders as indicated by pharmacy benefit provider in place when SB317 was passed. Segal has assumed utilization of these medications is for the treatment of behavioral health conditions and does not exclude medications attributable to off-label use. To the extent these medications are prescribed to treat other conditions, cost impacts may be lower. We are not able to definitively exclude prescriptions where off-label use is in play. CVS' estimate was lower (FY27 impact is approximately $3,2M vs. Segal's estimate at about $4M), likely reflecting CVS' formulary and possibly removing impact of off-label use; however, no details were included as to the methodology behind those estimates. Due to timing, Segal had to complete our estimates without updated NDCs from CVS.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS