

<b>LFC Requester:</b>	<b>RubyAnn Esquibel</b>
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**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**

**[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto: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:** 2/7/2025 *Check all that apply:*  
**Bill Number:** SB207 Original  Correction   
 Amendment  Substitute

**Sponsor:** Elizabeth "Liz" Stefanics  
 Elizabeth "Liz" Thomson  
Martin Hickey **Agency Name and Code** New Mexico Public Schools  
 Insurance Authority 34200  
**Short Title:** ADD CLASSES TO PRIOR AUTHORIZATION DRUGS **Person Writing** Kaylynn Roybal  
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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
<b>Total</b>	\$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**

SB207 modifies the Prior Authorization Act to mandate coverage for medications prescribed for both on-label and off-label use. It also adds the treatment of rare diseases to the list of exceptions that do not require prior authorization, alongside autoimmune disorders, cancer, and substance use disorders. Additionally, drugs prescribed for on-label or off-label use in treating rare diseases cannot be subjected to step therapy. A rare disease is defined as one that affects fewer than 200,000 people in the United States.

#### **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**