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: SB477 Original *X* Correction __
Amendment _ Substitute __

Sponsor: Martin Hickey
Short Title: NO PRIOR AUTHORIZATION FOR CERTAIN DRUGS

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-$55,700	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

SB477 mandates coverage of medications that are used in not only the treatment of but also the "prevention" of auto-immune disorders, cancer, cholesterol disorders and substance use disorders. The bill requires coverage of and the elimination of prior authorizations for glucagon-like peptide-1 agonists, glucose-dependent insulinotropic polypeptide; and glucagon-like peptide-1 receptor agonists. This applies to drugs that are approved by the federal food and drug administration and that do not have a biosimilar, interchangeable biologic or generic version 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 $31.5-$55.7 million cost associated the requirements of this bill. 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

Potentially conflicts with
SB39: Add Classes To Prior Authorization Drugs, and
SB207: Add Classes To Prior Authorization Drugs, and
HB570: Prior Authorization Requirement Changes
Each of the bills are making separate amendments to the same sections of NMSA.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

Current claims experience and trends for these drugs have become catastrophic to the NMPSIA plan. Without these cost-saving measures in place, it will become increasingly difficult to manage claims costs given the demographics of our population. This will lead to implementing elevated premium increases and increase out-of-pocket costs for our entire covered membership as opposed to utilizing current plan design cost-saving measures to stabilize premiums and benefit costs for all covered members.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS