LFC Requester:	

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
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(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: *2/21/25*
Bill Number: *SB477*

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

Sponsor: Sen. Hickey
Short Title: Insurance Coverage No PA or Step Therapy

Agency Name and Code Number: HCA-630
Person Writing Keenan Ryan
Phone: 505.396.0223 **Email** Keenan.ryan.@hca.nm

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	**FY26**		
$0.0	$0.0	N/A	N/A

(Parenthesis ( ) indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	**FY26**	**FY27**		
$0.0	$0.0	$0.0	N/A	N/A

(Parenthesis ( ) indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Medicaid	$0.0	$82,776.9	$82,776.9	$165,553.8	Recurring	General Funds

Medicaid	$0.0	$209,308	$209,308	$418,616	Recurring	Federal Funds
Medicaid Total	**$0.0**	**$292,084.9**	**$292,084.9**	**$584,169.8**		
State Health Benefits (SHB)	$0.0	$19,370.0	$21,190.0	$40,560.0	Recurring	General Fund (via SHB Fund)
SHB Member Impact	$0.0	$10,430.0	$11,410.0	$21,840.0	Recurring	SHB Employee Share of Member Premiums
SHB Total	**$0.0**	**$29,800.0**	**$32,600.0**	**$62,400**		

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: Not known
Duplicates/Relates to Appropriation in the General Appropriation Act: None

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 477 (SB477) would amend a portion of the insurance code anti-step therapy provisions to:

1) Include preventative treatments for prespecified conditions
2) The remove of the determinations of medical necessity
3) The addition of cholesterol agents
4) The addition of
    A) glucagon-like peptide-1 agonists;
    B) glucose-dependent insulinotropic polypeptide;
    C) glucagon-like peptide-1 receptor agonists.

FISCAL IMPLICATIONS

Medicaid

It is unclear that this bill applies directly to Medicaid as this bill directly only changes the insurance code. If it does impact Medicaid, the costs will be substantial. The magnitude of the financial impact would depend on the rate of utilization of high-cost medications instead of lower-cost but effective treatments. Given this variability in utilization low, moderate, and high utilization estimates are provided below. For the "estimate additional operating budget" table costs use the moderate utilization estimates.

There are roughly 31,583 Medicaid members with a diagnosis of obesity (Body Mass Index >30) without a diagnosis of Diabetes. GLP-1s are already covered for diabetics in the Medicaid program.

Utilization rates for GLP-1s can be highly variable. Three estimates are provided below for low, moderate, and high utilization. The estimate above is based on moderate utilization. Some national fiscal analyses indicate that the obesity treatment market could expand to $200 billion nationally by 2031, with a significant portion of the cost being driven by GLP-1 drugs. (Source: https://www.ncsl.org/state-legislatures-news/details/growth-volume-price-the-skinny-on-glp-1-

medications#:~:text=Gross%20Medicaid%20spending%20in%202022,rebates%20reached%20more%20than%20$900.)

In cases of low utilization, the HCA estimates that 3,563 (11.3% of the population meeting clinical criteria for obesity) would start GLP-1 therapy, with only 2,280 (64%) completing a full year of treatment. Total costs in the low utilization scenario are estimated at $43,603,103, after Medicaid Drug rebate, with a state share of $9,502,457.

In cases of moderate utilization, the HCA estimates that 14,844 (47% of the population meeting clinical criteria for obesity) would start GLP-1 therapy, with 9,500 (64%) completing a full year of treatment. Total costs are estimated at $181,657,283, after Medicaid Drug rebate, with a state share of $39,589,407.

If all 31,583 Medicaid members who meet the clinical criteria for obesity were to start GLP-1 therapy, the HCA estimates that 20,213 (64%) would complete a full year of treatment. The total cost in this scenario is estimated to be $386,504,858, after Medicaid Drug rebate, the state share of $84,232,781

Cholesterol lowering medications are a common intervention to prevent and/or treat various form of cardiovascular disease. The most common cholesterol lowering class of medications are Hydroxymethylglutaryl-coenzyme A (HMG-CoA) reductase inhibitors, commonly known as statins. Since the classes approval in the late 1980s statins have become on of the most commonly prescribed medications in the United States. In addition to statins other newer agents have been approved, commonly referred to as PSK9s, that are every other week injections that help the body clear excess cholesterol. PSK9s are less commonly used than statin but are more expensive. PSK9s can cost up to $6,000/year. Per the American Heart Association/American College of Cardiology guidelines PSK9s are recommended only for patients at high risk of atherosclerotic cardiovascular disease who are already on maximum dosing of statin therapy, and another medication, ezetimibe, has also been started, and the patient's cholesterol is still not well controlled.

There are roughly 70,272 with a diagnosis of hyperlipidemia. In cases of low utilization 7,941 (11.3%) Medicaid members would be transitioned or started on a PSK9 without evaluation for first line statin therapy. Total cost would be $47,646,000, after Medicaid Drug Rebate, the state share would be $10,383,366.74.

In cases of moderate utilization, 33,028 (47%) of patients would be transitioned or started on a PSK9 without evaluation for first line statin therapy. Total cost would be $198,168,000 after Medicaid Drug Rebate, the state share would be $43,187,454.61.

In cases of high utilizations all 70,272 Medicaid members would be transitioned or started on a PSK9 without evaluation for first line statin therapy. Total cost would be $421,632,000, after Medicaid Drug Rebate, the state share would be $91,8881207.27

The state share for both moderate utilization of PSK9s and GLP-1s is estimated to be $82,776,861.61 annually after Medicaid Drug Rebate.

State Health Benefits

Impact on the State Employee Health Benefits Plan

The removal of **prior authorization and step therapy requirements** for GLP-1 receptor agonists and cholesterol medications under SB477 will have **significant financial implications for the State Health Benefits (SHB) Plan**. A detailed analysis, based on actual claims utilization data from fiscal year (FY) 2024, highlights the **potential increase in prescription drug costs** due to the loss of key utilization management (UM) programs.

Projected Cost Increase Due to Loss of Utilization Management Programs

- In FY24, the **unmanaged net cost** for GLP-1 therapies was **$43.2 million**.
- Through **various cost-control measures**, including prior authorization, step therapy, and formulary management, the **current PBM** reduced costs to a **managed net cost of $8.9 million**, reflecting savings of **$34.3 million**.
- Specifically, cost reductions were achieved through:
    - **AWP Discounts:** $6.9 million
    - **Rebates:** $14.2 million
    - **UM Programs (Prior Authorization, Step Therapy, Quantity Limits):** $13.2 million
- The passage of SB477 would **eliminate UM program savings** ($13.2 million) and potentially **jeopardize rebate savings ($14.2 million)**, resulting in an estimated additional **$13.2 million to $27.4 million in costs** to the Plan.

Potential Impact on Rebates and Formulary Strategy

- If the **current PBM** adjusts formulary strategy and moves a GLP-1 drug to **non-preferred or non-formulary status**, the bill could force coverage of that drug regardless of formulary designation.
- This **would compromise preferred drug strategies**, which manufacturers consider when negotiating rebates. If manufacturers **withhold rebates**, the Plan would **lose the $14.2 million in rebate savings** currently passed through.
- The total cost impact is estimated as a **range**, depending on rebate loss:
    - **Minimum Impact (Loss of UM savings only):** $13.2 million
    - **Maximum Impact (Loss of UM savings + Rebates):** $27.4 million

Per-Claim Financial Impact & Trend Assumptions

- In FY24, the **Plan processed 23,725 GLP-1 claims**.
- Assuming a **10% year-over-year increase in claims volume**, the per-claim financial impact is projected as:
    - **FY25:** $632 per GLP-1 claim
    - **FY26:** $556 – $1,142 per GLP-1 claim
    - **FY27:** $561 – $1,136 per GLP-1 claim
- These figures represent the **Plan's cost impact**; no increases in member cost-sharing are anticipated as a direct result of this legislation.

Budgetary and Administrative Considerations

- **Higher Premiums or Cost-Sharing Adjustments:** The **removal of UM savings** and potential **loss of rebates** may necessitate adjustments to **premiums, deductibles, or copays** to offset increased Plan expenditures.
- **Increased Prescription Utilization:** Without **PA or step therapy requirements**, demand for GLP-1 drugs—particularly for off-label weight-loss use—may increase significantly,

compounding the financial impact.

- **Administrative Burden:** The **current PBM** would need to revise **formularies, benefit designs, and cost-containment strategies**, potentially increasing administrative complexity and costs.

SIGNIFICANT ISSUES

This bill removes requirement for the determination of medical necessity. This provision may contradict federal medical necessary requirements to ensure that a service is "necessary to protect life, prevent significant illness or disability, or alleviate severe pain." (Social Security act 190(a)(4)(b)) In essence, by removing the medical necessity provision, a prescription for a cholesterol agent or GLP-1 (or similar class of medication) would be approved with little to no oversight. This would include approving a medication for patients who do not have a diagnosis for which the medication is approved or recommended (prescribed either in error or inappropriately)

PERFORMANCE IMPLICATION

None

State Health Benefits

None

ADMINISTRATIVE IMPLICATIONS

In order to implement this legislation Medicaid may need to change the CMS state plan amendment, NMAC, Managed care contracts, Managed care policy manual to be in alignment with this legislation.

No IT impact.

State Health Benefits

No Administrative Implications

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

As mentioned in significant issues there is potential conflict with federal requirements regarding medical necessity.

TECHNICAL ISSUES

None

State Health Benefits

None

OTHER SUBSTANTIVE ISSUES

None

State Health Benefits

None

ALTERNATIVES
SB 207, SB39 alter similar aspects of the OSI prior authorization code for off-label usage and rare disease. SB193 Mandates coverage of GLP-1s.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL
Status Quo

AMENDMENTS
None