

LFC Requester:	RubyAnn Esquibel
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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: SB503 Original Correction
 Amendment Substitute

Sponsor: Larry R. Scott **Agency Name and Code:** New Mexico Public Schools Insurance Authority 34200
Short Title: Prohibit Certain Pharmacy Benefits Mgr. Acts **Number:** _____
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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	\$715.	\$786.	\$859.	\$2,360.	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

Amends the Pharmacy Benefits Manager Regulation Act. The bill prohibits certain practices by pharmacy benefits managers (PBMs) and introduces specific definitions and regulations.

Existing Prohibited Acts:

- **Section 59A-61-5, Subsection A:** Prohibits PBMs from requiring a pharmacy to participate in one contract as a condition for participating in another.
- **Section 59A-61-5, Subsection B:** Mandates that PBMs provide contracts to pharmacies in plain English at least thirty calendar days prior to execution, delivered via electronic mail, facsimile, or certified mail.

Newly Prohibited Acts Under SB 503:

- **Section 59A-61-2, Subsection D:** Defines "patient steering" and prohibits PBMs from:
 1. Directing patients to use a preferred pharmacy through mandatory mail order requirements.
 2. Requiring patients to use a restricted network of pharmacies approved by the PBM.
 3. Implementing copay differentials between contracted and non-contracted pharmacies.
- **Section 59A-61-2, Subsection K:** Defines "spread pricing" and prohibits PBMs from reimbursing a pharmacy for a prescription while billing an insurer or employer a higher price for the same prescription.
- **Section 59A-61-5, Subsection C:** Prohibits PBMs from reimbursing a pharmacy or pharmacist at a lower rate than an affiliated pharmacy for the same drug.
- **Section 59A-61-5, Subsection D:** Prohibits PBMs from denying or reducing claims based on clerical errors unless the error is fraudulent or impacts patient safety.
- **Section 59A-61-5, Subsection E:** Prohibits PBMs from retroactively denying, reducing, or recouping reimbursements for clean claims, except in cases of fraud, misrepresentation, or required federal or state adjustments.

FISCAL IMPLICATIONS

Our preliminary findings show key impacts with this bill that mandates the implementation of a transparent pricing model for prescription benefits, which comes with an additional per claim administrative fee. The new structure could lead to higher costs for NMPSIA, as the plan would no longer benefit from the pricing efficiencies offered by the traditional "spread-pricing" model that our PBM currently uses, which was deemed the best value after a competitive bidding process in 2022.

The fiscal impact can be broken down as follows:

- **FY25:** The projected increase in costs is \$715,000, assuming 530,000 claims at the rate of \$1.35 per claim, with a \$0.10 escalation per year.
- **FY26:** The projected increase in costs is \$786,000, assuming 542,000 claims at the same rate with escalation.
- **FY27:** The projected increase in costs is \$859,000, assuming 554,000 claims with continued escalation.

This represents a steady increase in costs year over year due to the escalation in the per claim admin fee under a transparent pricing model.

A complete analysis is underway, and an amended analysis will be submitted upon its completion.

SIGNIFICANT ISSUES

Proposed changes would necessitate adjustments to existing contract management, accounting processes, and oversight of claims management due to the per claim fee structure.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

NMPSIA may need to allocate additional resources to ensure proper tracking, reporting, and payment of the per claim admin fees, adding to the administrative workload and costs.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS