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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Parajón **ORIGINAL DATE** 3/4/2025

SHORT TITLE Insurance Coverage for Medical Cannabis Costs **BILL NUMBER** House Bill 527

ANALYST Esquibel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Medicaid		\$38,138.4	\$38,138.4	\$76,276.8	Recurring	General Fund
State Health Benefits		\$2,161.9	\$2,161.9	\$4,323.8	Recurring	General Fund (via SHB fund), Member premiums/cost sharing, Employer cost sharing
NMPSIA/RHCA		See Fiscal Implications	See Fiscal Implications	See Fiscal Implications	Recurring	Benefit Funds
Total		\$40,300.3	\$40,300.3	\$80,600.6	Recurring	Multiple

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

Economic Development Department (EDD)

Health Care Authority (HCA)

New Mexico Public School Insurance Authority (NMPSIA)

Office of Superintendent of Insurance (OSI)

Regulation and Licensing Department (RLD)

Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of House Bill 527

House Bill 527 (HB527) would require medical cannabis be covered by insurance, including individual and group health plans, Medicaid, and state coverage offered to state and local government employees, educators, and retirees.

The effective date of this bill is January 1, 2026.

FISCAL IMPLICATIONS

The bill's effect on New Mexico Public School Insurance Authority (NMPSIA) and Retiree Health Care Authority (RHCA) plan premiums remains uncertain absent utilization data per debilitating medical condition and associated supply cost data.

The Health Care Authority (HCA) cites a study where an estimated median monthly cost of medical cannabis for cancer patients was \$80. Assuming half of all 79,455 enrollees in the Department of Health (DOH) medical cannabis program are Medicaid members, at an average cost of \$80/month, the cost would be \$38.1 million from the general fund. There is no federal Medicaid match for medical cannabis because it is federally illegal.

For the State Health Benefits Program (SHB), HCA notes currently 3.73 percent of the state population has a medical cannabis card. If 3.73 percent of SHB's 60,387 enrollees have a medical cannabis card, 2,252 members would have their medical cannabis covered by SHB. At the cost of \$80/month, the total annual cost would be \$2.1 million annually.

SIGNIFICANT ISSUES

The federal Controlled Substances Act designates cannabis as a Schedule I drug, making its possession, distribution, and use illegal and federal law does not recognize medical cannabis as a prescription drug,

NMPSIA notes cannabis is not a federally recognized medication and lacks a national drug code, it cannot be processed through standard pharmacy claims systems. Insurers would need to develop alternative payment mechanisms and create a separate reimbursement system for medical cannabis, which could delay claims processing and increase administrative overhead. The inability to classify medical cannabis as a tax-deductible medical expense could further complicate reimbursement structures for insurers and patients.

PERFORMANCE IMPLICATIONS

The Economic Development Department notes the bill could pose challenges regarding federal pushback or refusal to reimburse Medicaid-covered expenses, difficulty in determining "adequate supply" without standardized dosing guidelines, and resistance from private insurers due to cost concerns and federal uncertainties. Dispensaries could see increased sales and legitimacy in the healthcare system but may need to implement new billing systems to handle insurance reimbursement.

ADMINISTRATIVE IMPLICATIONS

Under the provisions of the bill, DOH would need to promulgate rules to determine the reasonably necessary amount of cannabis to ensure the uninterrupted availability of cannabis for a period of three months to qualified patients based on their debilitating condition.

TECHNICAL ISSUES

The Regulation and Licensing Department (RLD) notes the definitions set forth in this bill should be consistent with the definitions in the Cannabis Regulation Act, NMSA 1978, section 26-2C-2.

OTHER SUBSTANTIVE ISSUES

HCA notes the risks of medical cannabis should be noted. Individuals inhaling cannabis are at risk for lung damage and disease. Additionally, there is an association between cannabis use and the development of psychosis. Excessive use of cannabis can cause repeated bouts of extreme nausea and vomiting.

RAE/rl/hg/sgs