FISCAL IMPACT REPORT

SPONSOR	Sens. Stefanics and Hickey/ Reps Thomson and Szczepanski	**LAST UPDATED**	
		ORIGINAL DATE	2/20/2025
SHORT TITLE	Add Classes to Prior Authorization Drugs	**BILL NUMBER**	Senate Bill 207
		ANALYST	Esquibel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMPSIA		**$950.0**	**$1,000.0**	**$1,950.0**	Recurring	**NMPSIA Fund**
RHCA		**$2,193.0**	**$2,302.0**	**$4,495.0**	Recurring	**RHCA Fund**
State Health Benefit Plan		**See Fiscal Implications**	**See Fiscal Implications**	**See Fiscal Implications**	Recurring	**SHBP Fund**
Total		**$3,143.0**	**$3,302.0**	**$6,445.0**	Recurring	**Multiple**

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
Department of Health (DOH)
Health Care Authority (HCA)
New Mexico Public School Insurance Authority (NMPSIA)
Regulation and Licensing Department (RLD)
Retiree Health Care Authority (RHCA)
Office of Superintendent of Insurance (OSI)
University of New Mexico Health Sciences Center (UNMHSC)

SUMMARY

Synopsis of Senate Bill 207

Senate Bill 207 (SB207) would modify 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 thousand people in the United States.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The New Mexico Public School Insurance Authority (NMPSIA) reports under the provisions of the bill there could be a $1.9 million and potentially up to $12.9 million cost for medications and administrative fees and the loss of potential savings from medication utilization and rebates.

The Retiree Health Care Authority (RHCA) reports the agency would incur additional claims and administrative costs under the provisions of the bill and removing the need for prior authorization and step therapy would impair cost-containment efforts. RHCA estimates the cost at $2.1 million in the first year and an additional 5 percent in subsequent years.

The Health Care Authority's (HCA) state health benefits plan (SHB) would likely incur an indeterminate cost associated with the provisions of the bill.

SIGNIFICANT ISSUES

RHCA reports the federal Centers for Medicare and Medicaid Services (CMS) has guidelines for using on-label and off-label drugs in Medicare Advantage plans. CMS emphasizes that off-label drug use in step therapy programs must be supported by clinical research and widely accepted guidelines to ensure patient safety and efficacy. The National Committee for Quality Assurance (NCQA), which evaluates health plans through its Health Plan Accreditation program, supports policies that ensure step therapy protocols are transparent and evidence-based and include a straightforward process for exceptions when medically necessary. NCQA advocates patient protection and timely access to appropriate medications. Federal regulations ensure that step therapy programs are reviewed and approved by a Pharmacy and Therapeutics Committee, which includes practicing physicians and pharmacists. The committee bases its decisions on scientific evidence and standards of practice. The bill does not provide guidance to healthcare systems that might struggle to allocate resources appropriately, as it is unclear which diseases qualify as rare.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB207 is similar to Senate Bill 39, which also attempts to prohibit practices that restrict access to certain medications.

TECHNICAL ISSUES

The Office of Superintendent of Insurance notes the term "off-label" may need to clarify the drug must be approved by the FDA, but the indication or dosage to treat a specific condition or disease may not require FDA approval.

OTHER SUBSTANTIVE ISSUES

The University of New Mexico Health Sciences Center notes prior authorization requirements often delay patient care, which can negatively affect clinical outcomes. Limiting step programs for vulnerable patients, such as those with cancer or autoimmune diseases, can ensure timely care that may prevent long-term complications and increase morbidity, remove unnecessary barriers to accessing care, and prevent adverse effects such as reduced quality of life, disruption of work,

and increased risk of worsening conditions due to treatment delays. Reduced prior authorization requirements can also improve the efficiency of pharmacy operations.

The Department of Health notes for children with rare diseases, receiving an accurate diagnosis and promptly starting treatment can be critical. Approximately 50 percent of individuals with rare diseases are children. Only 5 percent to 7 percent of rare diseases have an FDA-approved treatment. Due to the lack of FDA-approved treatments, most medication for rare disease is prescribed off-label. In general, insurers and pharmacy benefit managers will not reimburse off-label use of drugs or medical devices. To access therapies prescribed by their physician, patients may be required to mostly pay out of pocket or provide additional paperwork which delays medication access.

RAE/rl/SL2