

LFC Requester:	Eric Chenier
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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: HB527 Original Correction
 Amendment Substitute

Sponsor: Cristina Parajon **Agency Name and Code:** New Mexico Public Schools Insurance Authority 34200
Short Title: Insurance Coverage For Medical Cannabis Costs **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						

(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

House Bill 527, mandates that health insurance plans provide coverage for medical cannabis for qualified patients diagnosed with debilitating medical conditions. The bill amends the Health Care Purchasing Act, the Public Assistance Act, and the New Mexico Insurance Code to ensure that medical cannabis is covered under insurance policies in a manner comparable to other prescription medications.

Under this legislation, health insurance providers are required to cover the cost of an adequate supply of medical cannabis, as determined by the Department of Health, to prevent interruptions in patient treatment. Coverage must be provided either through direct payment to licensed cannabis retailers or by reimbursing qualified patients for their medical cannabis purchases. The bill further stipulates that cost-sharing requirements for medical cannabis, such as copayments, coinsurance, or deductibles, shall not exceed the cost-sharing obligations for other prescription medications covered by the insurance plan.

The Department of Health is tasked with establishing rules necessary for implementing the provisions of this act, including defining the adequate supply of medical cannabis needed for a three-month period and setting standards to ensure compliance with the legislation. This bill aims to integrate medical cannabis into standard healthcare coverage, ensuring that patients with serious medical conditions have reliable and affordable access to their prescribed treatment.

Definitions:

- **Adequate Supply:** The amount of cannabis reasonably necessary to ensure uninterrupted availability for a three-month period, as determined by the Department of Health.
- **Cannabis:** All parts of the Cannabis plant containing more than 0.3% delta-9-tetrahydrocannabinol (THC) on a dry weight basis, excluding certain parts like mature stalks and sterilized seeds.
- **Cannabis Extract:** Products obtained by separating resins from cannabis using specific solvents, excluding the weight of other combined ingredients.
- **Cannabis Product:** Products containing cannabis, including edibles and topicals, excluding the weight of other combined ingredients.
- **Cannabis Retailer:** Licensed entities authorized to sell cannabis products to consumers under the Cannabis Regulation Act.
- **Cost Sharing:** Financial obligations of enrollees, such as copayments, coinsurance, and deductibles, excluding premiums.
- **Debilitating Medical Condition:** Conditions including cancer, glaucoma, multiple sclerosis, spinal cord nerve tissue damage with intractable spasticity, seizure disorders (e.g., epilepsy), positive HIV status, and others as defined by the Department of Health.

FISCAL IMPLICATIONS

HB527 mandates insurance coverage for medical cannabis, but a fiscal analysis cannot be

provided due to the absence of an established processing and reimbursement framework. Our PBM has confirmed that cannabis is not an FDA-approved drug and lacks a National Drug Code (NDC), preventing claims from being processed under current systems. Additionally, revenue rulings confirm that medical cannabis is not considered a “legally procured” medicine under federal tax law, meaning expenses for medical cannabis are not deductible under **26 U.S.C. § 213**. The inability to classify medical cannabis as a deductible medical expense could further complicate reimbursement structures for insurers and tax implications for patients. The financial impact remains uncertain given federal restrictions on cannabis-related reimbursements.

SIGNIFICANT ISSUES

The Controlled Substances Act (CSA) designates cannabis as a Schedule I drug, making its possession, distribution, and use illegal under federal law, even for medical purposes. Federal law does not recognize medical cannabis as a prescription drug, meaning insurance providers and PBMs are unable to process claims under existing regulatory frameworks. The revenue ruling further establishes that purchasing cannabis for medical purposes, even if permitted under state law, is not considered a deductible medical expense, potentially affecting the way we are able to structure benefits and reimbursements. The bill does not address these fundamental conflicts, which may prevent effective implementation.

PERFORMANCE IMPLICATIONS

Because cannabis is not a federally recognized medication and lacks an NDC, it cannot be processed through standard pharmacy claims systems. This will require NMPSIA to develop alternative payment mechanisms that do not currently exist. The need to create a separate reimbursement system for medical cannabis may delay the processing of claims and increase administrative burdens on both NMPSIA and members. The cost of which cannot be quantified at this time.

ADMINISTRATIVE IMPLICATIONS

Cannabis remains a Schedule I controlled substance under the Controlled Substances Act (21 U.S.C. § 812), its possession, distribution, and use remain illegal under federal law, regardless of state medical cannabis programs. Additionally, IRS regulations do not recognize cannabis purchases as deductible medical expenses, limiting traditional insurance coverage options.

If NMPSIA were to adopt a patient reimbursement model to facilitate access, it could create significant legal and financial risks. Reimbursing for a federally illegal substance could expose the agency to federal scrutiny, jeopardizing compliance with federal funding requirements and financial regulations. Moreover, such a model may create inequities in access, disproportionately benefiting those who can afford to pay out-of-pocket upfront.

The lack of an FDA-approved status and NDC for cannabis products presents a fundamental barrier to implementation. Without an NDC, cannabis cannot be integrated into standard pharmacy benefit programs or reimbursement systems. The bill does not address how dosage, pricing, or medical necessity will be determined, creating uncertainty for NMPSIA. The revenue ruling confirms that medical cannabis is not considered a legally recognized medical expense under federal tax law, which could further complicate implementation.

Given these conflicts, NMPSIA must carefully evaluate its approach to avoid potential federal repercussions, ensure regulatory compliance, and maintain equitable access to covered medical treatments within legal constraints.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 527 directly conflicts with federal law, including the **Controlled Substances Act (21 U.S.C. §§ 801-971)** and IRS regulations regarding medical expense deductions. Federal law prohibits the possession and distribution of cannabis for medical purposes, even with a physician's prescription, which creates a direct legal contradiction with the bill's mandate for insurance coverage. Additionally, cannabis remains ineligible for reimbursement under federally funded programs such as Medicaid and Medicare.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS