

<b>LFC Requester:</b>	<b>RubyAnn Esquibel</b>
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**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**

**[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto: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}*

**Bill Number:** 2.21.25 *Check all that apply:*  
SB503 Original  Correction   
 Amendment  Substitute

**Sponsor:** Larry R. Scott **Agency Name and Code** New Mexico Retiree Health Care Authority 34300  
**Short Title:** Prohibit Certain Pharmacy Benefits Manager Acts **Person Writing** Mark Hayden  
**Title:** Benefits Manager Acts **Phone:** 505-377-9012 **Email** mark.hayden@rhca.nm.gov

**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
<b>Total</b>	\$1.230	\$2.460	\$2.460	\$6.150	Recurring	Health Care Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

## **SECTION III: NARRATIVE**

### **BILL SUMMARY**

**Synopsis:** The Bill adds a new section to the Pharmacy Benefits Manager Regulation Act, prohibiting patient steering, which is the use of a preferred pharmacy through mandatory mail order, use of a restricted network of pharmacies only using pharmacy benefits manager (PBM) approved pharmacies, using copay differentials for pharmacies contracted with us not with the pharmacy benefits manager. In addition, spread pricing is prohibited, which includes reimbursing a pharmacy for a prescription and billing an insurer or employer that provides health insurance at a higher price than was reimbursed for the same prescription. To include when a clerical or recordkeeping error is identified during an audit is to not constitute fraud or intentional misrepresentation, and no recoupment is permitted unless an actual overpayment to the pharmacy or the wrong medication is being dispensed to the patient.

### **FISCAL IMPLICATIONS**

Senate Bill 503 will impact the New Mexico Retiree Health Care Authority (NMRHCA). Contracted pharmacies negotiate rates with PBMs, which results in lower medication costs for members. Without steering, patients might choose non-contracted pharmacies, potentially leading to higher drug costs for NMRHCA's members. Eliminating pharmacy network contracting as a strategy to control costs will hinder the agency and increase plan costs.

While NMRHCA does not have a mandatory mail order provision in our plans, members can receive a 90-day supply via mail order or retail. However, specialty medications used to treat complex and long-term conditions that must be stored or handled uniquely are filled exclusively through our mail-order vendor. These specialty medications are for conditions such as multiple sclerosis, rheumatoid arthritis, hepatitis C, and cancer. The removal of our exclusive vendor will impact the cost of NMRHCA plans. It will compromise access and education from specialty pharmacists who specifically handle these complex health issues and medications more consistently, affecting patients with these conditions.

Eliminating all spread pricing may provide more transparency, but the plan will lose savings. The table above takes into account the change from spread pricing to pass-through and the change to specialty medications mail-order through specialty pharmacies. Additional costs are anticipated with changes to the removal of steering, but the impact was difficult to determine at this time.

### **SIGNIFICANT ISSUES**

Implementation will require review and changes to the current contract with PBM, as this change will occur before the end of the fiscal year and for FY26. This will impact renegotiating contracts and contract guarantees to comply with the new regulations. While this bill mandates transparency to reduce the costs of spread pricing, the plans will encounter increased administrative fees, which will impact the cost to the members in higher premiums and higher out-of-pocket costs for prescriptions. The agency is not opposed to other options as it would like to find the most advantageous strategy for all parties, which includes optionality to be able to compare and determine which option is best to include Pass through and NADAC. Each of the various options comes with pros and cons. NMRHCA will have to reevaluate plan designs to manage additional costs and access while trying to maintain cost-effective and comprehensive coverage for retirees.

### **PERFORMANCE IMPLICATIONS**

This will impact renegotiating contracts and updating policies and procedures to comply with the new regulations. The mandate could cause short-term disruption as insurers, PBMs, and pharmacies adapt to changes.

#### **ADMINISTRATIVE IMPLICATIONS**

A change to pricing will require renegotiations of current contracts prior to the end of the fiscal year and for fiscal year 2026 contracts expiring June 30, 2026.

#### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

#### **TECHNICAL ISSUES**

#### **OTHER SUBSTANTIVE ISSUES**

#### **ALTERNATIVES**

All pricing methodologies would be evaluated such as Pass-through, Traditional (Spread Pricing), NADAC and hybrids for the best approach on behalf of the members the agency represents but also impact in communities to ensure access. This may mean not utilizing the current traditional model when requesting proposals or contracting.

In addition, alternatives would be to adjust the discounts from Average Wholesale Pricing (AWP) and provide a higher dispensing fee for independent pharmacies. Under this approach, the current AWP methodology is maintained. Another option could be to carve out local independent pharmacies from pricing guarantees without added administrative fees.

#### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The agency and other procuring agencies in IBAC (Interagency Benefits Advisory Committee) will continue evaluating competitive requests for proposals, considering the ever-changing demands of members and access to pharmacies for improvements while balancing rising health care costs, including prescription costs.

#### **AMENDMENTS**