LFC Requester:	Harry Rommel

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
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(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: 2/4/26 **Bill Number:** HB302 **Original** X **Amendment** **Substitute**
Short Title: INSURANCE: PRIOR AUTHORIZATION EXEMPTIONS
Sponsor: Rep. Doreen Gallegos
Name and Code Number: HCA 630
Person Writing: Kresta Opperman
Phone: 505 231-8752 **Email:** kresta.opperman @hca.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	**FY27**		
$0.00	$0.00	NA	NA

(Parenthesis ( ) indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	**FY27**	**FY28**		
$0.00	$0.00	$0.00	NA	NA

(Parenthesis ( ) indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HCA MAD FTE	$0.0	$49.0	$49.0	$98.0	recurring	Medicaid GF

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HCA MAD FTE	$0.0	$49.0	$49.0	$98.0	recurring	Medicaid FF
MAD IRO Review	$0.0	$218.0	$218.0	$436.0	recurring	Medicaid GF
ITD: FS Change	$0.0	$540.0	$0.0	$540.0	Nonrecurring	Medicaid FF
ITD: FS Change	$0.0	$60.0	$0.0	$60.0	Nonrecurring	GF
Total	$0.0	$916.0	$316.0	$1,232.0	-	-
State Health Benefits	$0.0	$90.0	$180.00	$270.0	Recurring	General Fund (through State Health Benefits Fund)
State Health Benefits	$0.0	$0.0	$0.0	$0.0	Recurring	Employee Cost Share
Total	$0.0	$90.0	$180.0	$$270.0	Recurring	Total General Fund (through State Health Benefits Fund)

(Parenthesis ( ) Indicate Expenditure Decreases)

*Costs to State Health Benefits are likely, but cannot be determined at this time.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: HB 302 enacts a process to exempt providers who have prior authorization approval rates of greater than 90%, from needing to furnish prior authorization on future orders. The bill creates guidance for:

- Time period for review
- Approval rate of prior authorizations by a provider before exception is granted
- Requirement for insurer to notify the provider in writing, with explanation
- Process for rescinding exception for prior authorization, including appeal and review by an independent review organization (IRO)
- Requirement and authority of independent review organizations

The superintendent shall promulgate rules in accordance with this section no later than December 31, 2026.

State Health Benefits: HB302 Key Provisions

- Exemption Criteria: Health care professionals who have at least 90% of their prior authorization requests approved during a six-month evaluation period may apply for an exemption from prior authorization requirements for outpatient services (excluding pharmaceutical services and prescription drugs). Current process establish through OSI rulemaking for commercial-regulated business requires contracts between provider and payer, this is not the case for this bill.
- Application and Review Process: Insurers must respond to exemption requests within ten business days and provide detailed explanations for any denials.
- Rescission and Oversight: Exemptions can be rescinded if there is evidence of fraud, abuse, or if the professional's approval rate falls below 90% in a retrospective review. There are clear notice and explanation requirements for rescissions.
- Independent Review: Health care professionals have the right to request an independent review of any rescission, conducted by a licensed medical professional. The decision from this review is binding on both parties.
- Transparency and Accountability: The bill includes requirements for written notices, timelines for reinstatement, and mandates that the New Mexico superintendent of insurance promulgate implementing rules by December 31, 2026.
- Effective Date: The changes will take effect after the bill's passage in 2026, with procedural and review processes beginning thereafter.

FISCAL IMPLICATIONS

Medicaid

This legislation amends Chapter 59 of the New Mexico statutes. It does not amend Chapter 27 which pertains to MAD services. As currently written, it does not apply to Medicaid Fee-for-Service population; however, by statute (NMSA 1978, §27-2-12.27) MCOs would be required to comply with this legislation.

This bill does not provide appropriations and poses fiscal implications for staffing and claims processing system edits.

If this legislation is applicable to Medicaid there are several changes that would have fiscal implications. The list of providers exempted from prior authorizations will need to be maintained regularly, audited for appropriateness, coordinate with IRO, issue written communications for FFS exemptions and conduct oversight of the Managed Care Organization (MCO) prior authorization exemption program by one FTE. The total cost of a Senior Program Coordinator annually is $97,900 which is split $48,950 from the general fund and $48,950 from the federal funds.

Contracting with an independent review organization (IRO) and accessing medical records will increase operating costs for MAD. In another state the cost for each prior authorization exemption request was $460. Based on the "New Mexico Health Care Workforce Committee 2024 Annual Report" there are 5,270 Primary Care Physicians, OB-GYN Physicians, Psychiatrists, Physician Assistants, Nurse Practitioner and Nurse Midwives. Assuming 90% are registered with Medicaid and only 10% of those 4,743 providers request exemption per year there would be an additional cost of $218,040.0 per year.

The Financial Services (FS) module of the Medicaid Management Information System (MMIS) will require a system change to allow prior authorization exemptions to implement this bill. The change is expected to occur in state fiscal year 2027 and would cost approximately $600,000.00 to complete. This is anticipated to be with 90% Federal Funds and 10% State Funds, or $540,000.00 Federal Funds and $60,000.00 State Funds. Additionally, each time the list is changed represents a small but persistent cost to HCA.

State Health Benefits

From one of our medical carriers' actuarially reviewed data based on available Prior Authorization (PA) experience and calculations were based on a similar state law in Texas. The financial impact could reasonably be up to 0.1%.

Financial impact related to outpatient services for the accounts in TX which are similar to the Inter-Agency Benefits Committee (IBAC), measured about 0.05%, 0.07% and 0.08% of claims for each of the first three years after implementation. As a result, we believe 0.1% impact figure in NM is reasonable and somewhat conservative given uncertainly around the operations and regulatory implementation.

The highest impact of the current Gold Carding place for NM fully-insured (FI) business is in high dollar radiology. SONM does not require PA for these services so there would be no impact in this highest area of impact.

SIGNIFICANT ISSUES

This bill limits the exemptions by insurance type. If a provider maintains a high rate of approval, they would be required to go through this process with each insurance company separately. In Medicaid this would apply to the four managed care plans. Exempting from all applicable plans could be laborious on providers. Oversight post prior authorization exemption could limit the MCO and HCA's ability to evaluate for high utilization of inappropriate medication prescribing if a clinician's prescribing practice changed.

This bill does not define if prior authorization exemptions cross multiple service lines. For example, if a provider gets a prior authorization exemption largely based on medication prescribing does the prior authorization exemption also apply to durable medical equipment or imaging. Prior authorizations for these different service lines are managed by different departments and/or contractors

PERFORMANCE IMPLICATIONS

The above-referenced MMIS system change will need to be fleshed out and scoped and added to

the FS module roadmap. The change will also need to be analyzed and compared to other roadmap items to determine priority and scheduling.

ADMINISTRATIVE IMPLICATIONS
MAD would need to work closely with OSI to ensure MCO performance aligns within OSI rules. The implementation date of this bill is December 31, 2026. The list of providers exempted from prior authorizations will need to be maintained regularly, audited for appropriateness and conduct oversight of the Managed Care Organization (MCO) prior authorization exemption program by one FTE.

For SHB, implementation may require additional system updates within administrative service organizations (ASOs) to track provider exemptions, ensure compliance with regulatory requirements, and audit provider utilization patterns. Depending on the volume of exemption requests and ongoing oversight needs, SHB may require additional system enhancements to manage and monitor the exemption process effectively.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP
Almost identical to 2025 HB451 and SB263, similar to 2025 HB 570

TECHNICAL ISSUES
The claims processing system, including point-of-sale adjudication system for pharmacies, would need edits to prevent exempted providers from receiving prior authorization requests and denials. The list of providers would need to be maintained regularly and audited for appropriateness. Each time the list is changed would incur a small but persistent cost to HCA.

There are specific medications and/or classes of medication that would be limited to specific provider types. It is not clear if this exempts provider type requirements.

OTHER SUBSTANTIVE ISSUES
None

ALTERNATIVES
None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL
Status Quo.

AMENDMENTS
None at this time