

<b>LFC Requester:</b>	<b>Harry Rommel</b>
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**AGENCY BILL ANALYSIS - 2026 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}*

**Date Prepared:** 1/27/2026 *Check all that apply:*  
**Bill Number:** SB 0020 Original  Correction   
 Amendment  Substitute

**Sponsor:** Elizabeth "Liz" Stefanics  
 Martin Hickey  
 Linda M. López  
 Reena Szczepanski  
 Elizabeth "Liz" Thomson  
**Short Title:** PRIOR AUTHORIZATION & PRESCRIPTION DRUGS

**Agency Name and Code Number:** New Mexico Public Schools Insurance Authority 34200  
**Person Writing:** Kaylynn Roybal  
**Phone:** 505-479-1672 **Email:** Kaylynn.Roybal@psia.nm.gov

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	\$0	\$1,057	\$1,168	\$2,266	Recurring	NMPSIA Benefits

(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**

SB 20 amends the Prior Authorization Act to extend its requirements to pharmacy benefits managers (PBMs) licensed in New Mexico. The bill updates definitions within the Act, including “chronic maintenance drug,” “serious mental illness,” and “pharmacy benefits manager.” SB 20 prohibits prior authorization and step therapy for prescription drugs used to treat serious mental illness, substance use disorders, cancer, autoimmune disorders, and rare diseases or conditions. It also establishes that prior authorization for drugs used to treat chronic health conditions may only be required once every three years. The bill directs the Office of Superintendent of Insurance to standardize and streamline the prior authorization process across all health insurers, including PBMs, and to maintain a log of complaints with penalties for noncompliance. It requires annual reporting to the governor and legislature on prior authorization data, complaints, and other information for both health insurers and PBMs. The bill applies to health benefits plans, which include medical care, pharmaceutical benefits, and related benefits, and defines standards for medical necessity, medical peer review, and coverage determinations. The provisions of SB 20 apply to health benefits plans issued or renewed on or after July 1, 2026.

#### **FISCAL IMPLICATIONS**

The primary fiscal impact is associated with the loss of utilization management savings that result from prior authorization requirements. Our PBM indicates that prior authorization has already been removed for most of the drug categories addressed in the bill, with the exception of drugs treating serious mental illness. Therefore, the projected impact is limited to the population defined as having severe mental illness under the bill for our PBM data resulting in a minimal impact of less than \$30, 000 over FY27 and FY28. Medical carriers reported that step-therapy and prior authorization requirements are currently in place for certain mental health conditions, though specific denials data analysis is still underway. A 1% allowance for increased utilization has been included in projections to account for the removal of this control. Medical drug prior authorization changes account for the majority of projected agency spend at \$2.1 million over FY27 and FY28. More research will be underway to better understand this impact, additionally, the impact is projected to increase due to a financial data lag from one of the two medical carriers at the time of the agency analysis submittal.

Additional clarification may be needed to fully assess the impact across all benefit types. Overall, the fiscal impact is expected to result from increased utilization due to reduced prior authorization controls rather than from new benefit mandates.

#### **SIGNIFICANT ISSUES**

#### **PERFORMANCE IMPLICATIONS**

SB 20 does not require that an individual remain enrolled with the same carrier for the three-year limitation on prior authorization for chronic condition medications to apply, carriers may be required to rely on documentation of prior authorizations granted under a different health plan.

This administrative requirement may increase utilization and operational complexity. Certain drugs currently subject to pre-service review may be impacted by the bill's chronic condition provisions, which could further contribute to increased utilization.

## **ADMINISTRATIVE IMPLICATIONS**

These changes to prior authorization requirements reduce the effectiveness of existing cost containment strategies, potentially increasing utilization and overall plan costs. Historically, premium rates, budgets, and forward-looking rate projections have not incorporated impacts from modifications to prior authorization or other utilization management controls.

Going forward, it will be necessary to account for the financial effects of these types of changes in our agency budget and premium-setting processes. While the magnitude of the impact is difficult to quantify precisely, we will monitor utilization trends and plan cost drivers to ensure that premium rate adjustments and budgeting decisions reflect the evolving regulatory environment.

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

### **TECHNICAL ISSUES**

Carriers and plan administrators may also need to implement documentation processes to track prior authorizations across plan enrollments to comply with the bill's three-year limitation for chronic condition medications.

### **OTHER SUBSTANTIVE ISSUES**

### **ALTERNATIVES**

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

SB 20 directly benefits public school employees by reducing barriers to accessing medications for serious mental illness and chronic conditions. School staff often face demanding schedules, and prior authorization delays can disrupt their ability to manage their health while balancing work and life responsibilities. Our staff is always available to field questions and assist members with these types of issues, but even with support, navigating the prior authorization process is an additional burden on members. By limiting these requirements, the bill ensures that teachers, administrators, and support staff can receive timely treatment without unnecessary paperwork or delays, supporting both their well-being and their ability to focus on serving students. This streamlining of access helps members stay healthier and reduces stress.

### **AMENDMENTS**