

LFC Requester:

Harry Rommel

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

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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: 2/11/26 **Bill Number:** SB0020 **Original** **Amendment** **Substitute**
Short Title: PRIOR AUTHORIZATION ACT PROHIBITIONS: MENTAL ILLNESS DRUGS

Sponsor: Sen. Stefanics

Name and Code Number: HCA 630

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$0	\$0	NA	NA

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
\$0	\$0	\$0	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
State Health Benefits Fund Impact (SHB)	\$0	\$75.0	\$150.0	\$225.0	Recurring	General Fund through State Health Benefits Fund
SHB Member Premiums	\$0	\$0	\$0	\$0	Recurring	Employee Premiums
SHB Member Cost Share	\$0	\$0	\$0	\$0	Recurring	Employee Cost Share
Total State Health Benefits	\$0	\$75.0	\$150.0	\$225.0	Recurring	General Fund through State Health Benefits Fund

(Parenthesis () Indicate Expenditure Decreases)

*This bill will likely result in modest upward pressure on pharmacy spending to the extent that current state health benefits (SHB)'s PBM spend relies on PA or step therapy in these categories. A more robust analysis is needed to quantify these impacts.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: This bill expands the Prior Authorization Act so that it applies to Pharmacy Benefits Managers which would be prohibited from requiring prior authorization (PA) and step therapy for certain drugs prescribed to treat serious mental illness, except when a generic, biosimilar, or interchangeable biologic is available.

For drugs used to treat chronic conditions, Pharmacy Benefits Managers (PBM) would only be permitted to require PAs once every three years, with specified exceptions related to safety concerns, fraud or misrepresentation, or formulary changes.

This bill also expands definitions and enforcement authority, requiring the Office of the Superintendent of Insurance (OSI) to collect, monitor, and publicly report prior authorization data and complaints for both insurers and PBMs.

Several amendments on the legislation were approved in Senate Health and Public Affairs Committee including:

- Adding the CDC definition of “chronic health condition”

- Narrowing the definition of Serious Mental Illness by removing the following definitions:
 - attention deficit hyperactivity disorder
 - eating disorders
 - psychotic disorders
 - severe anxiety disorders
 - autism spectrum disorder
 - co-occurring disorders
 - seasonal affective disorder
 - reactive attachment disorder
- Allowing for the use of Prior Authorizations for SMI in individuals less than 18 years of age, and institutionalized individuals
- Alignment of prescription medication prior authorization to three days, consistent with other OSI statutes
- Exceptions for which a PBM can require subsequent prior authorizations within ~~one~~ three years
- Additional amendments in Senate Tax, Business, and Transportation Committee clarified that PAs rules for three business days only applied to medications not all PAs.

State Health Benefits - The bill adds to the limitations on prior authorization those medications for the treatment of “severe mental illness.” The definition of severe mental illness is broad.

Additionally, the bill prohibits prior authorization more than every three years for medication to treat “chronic” conditions. Chronic disease is not defined.

This bill would impact both retail pharmaceutical drugs and medical drugs.

The bill does not contain any limitations on the prohibitions on prior authorization for safety, drug class, generic v. brand, or any considerations that may be made when structuring safety protocols or adhering to FDA labeling.

The bill does not require that an individual be on the same plan with the same carrier for the three-year limitation on chronic disease medication to be effective, which would likely require some form of documentation that the individual had a previously approved prior authorization from a different plan upon enrollment in an IBAC plan with a different carrier.

One of the medical carriers identified 129 J-codes that could potentially be impacted under chronic disease requirement. These drugs currently have pre-service reviews in place. With the extension of PA requirements, this could somewhat increase utilization.

FISCAL IMPLICATIONS

This bill will likely result in modest upward pressure on pharmacy spending to the extent that current state health benefits (SHB)’s PBM spend relies on PA or step therapy in these categories. Removing PAs and step therapy for the specified drug categories that were previously more tightly managed may increase utilization. A more robust analysis is needed to quantify these impacts. In the medium-term, the bill could have some potential offsetting savings in total cost of care if improved adherence and stability reduce high-cost acute episodes, especially in mental health

Individuals with serious mental illness (SMI)s or substance use disorder (SUD)s benefit from early and uninterrupted access to drug therapy intervention, which increases stability and may

reduce costly downstream utilization of needing high-cost crisis or emergency treatment (including psychiatric hospitalizations, emergency department visits, relapse or crisis episodes, and complications from untreated chronic conditions). This may result in savings on high-cost acute care, although expected increases in medication utilization costs.

Additionally, removing the PA process reduces the time spent by paid personnel reviewing PAs and eliminates the possibility of cost associated with peer review processes should PAs be denied and appealed.

State Health Benefits -These drugs currently have pre-service reviews in place. With the extension of PA requirements, this could somewhat increase utilization. The medical carriers were unable to estimate an amount; but it would likely be a very modest increase. Our Pharmacy Benefit Manager (PBM) also estimated a slight increased cost to the plan. The numbers above in the 'Estimated Additional Operating Budget Impact' table are reflective of the collective increase between the medical and PBM projections.

SIGNIFICANT ISSUES

Positive impacts of the bill:

There could potentially be fewer delays and fewer interruptions in treatment, especially for serious mental conditions where stability and continuity are clinically critical. Many of the protections needed for antipsychotics may be covered with safety edits at point-of-sale at the pharmacy.

Risks:

While increasing access for a wide variety of members has value, there is concern for specific populations that may be negatively affected by this legislation. Specifically pediatric population less than 18 years old, or individuals in institutional settings like nursing homes and the use of antipsychotics for SMI. MAD currently closely follows pediatric populations. Following guidelines, [Kevin S. findings](#), [federal OIG findings](#), Children's Code 32A-6A-12A, and Turquoise Care Contract requirement 4.25.4, the majority of pediatric patients should not be on psychotropic agents without a valid DSM-V diagnosis (often established by a specialist) or multiple antipsychotics. Removal of prior authorization in this group would require approval of claims in instances identified above. A federal Office of the Inspector General found that 1:5 nursing home members were given antipsychotics during the evaluation period raising concern for misdiagnosis. Findings of this study lead to [CMS intervention in 2023](#) relating to antipsychotic usage in nursing facilities. ~~Specific exemptions from this proposed legislation for high-risk populations could be beneficial.~~ Amendments added to this bill have largely addressed this concern.

Potential Fiscal Tradeoffs:

PBMs may respond by shifting from using PAs and step therapy toward other tools (e.g., formulary placement, tiering, quantity limits), which can still affect member access and out-of-pocket costs.

PERFORMANCE IMPLICATIONS

The office of superintendent of insurance (OSI) is the named responsible party, in conjunction

with health insurers and healthcare providers, to develop a uniform and streamlined process, to maintain a complaint log, impose fines when necessary, and generate an annual report with data correlated to implementation.

ADMINISTRATIVE IMPLICATIONS

If enacted, the bill could increase access and continuity for members using medications for serious mental illness by restricting PBM use of PA and step therapy (except where a generic or biosimilar alternative exists). It could also reduce administrative churn for chronic conditions by limiting repeat PA, and subsequent peer reviews when needed, for chronic maintenance drugs to once every three years after approval, with exceptions for fraud/misrepresentation, safety or market actions, or addition of a generic or biosimilar to the formulary.

This bill specifically excludes medications with a biosimilar or generic alternative. It is unclear if there will be any administrative complexity in determining applicability for prescription over time.

HCA does not include the definition of “chronic maintenance drug” or “serious mental illness” in NMAC 8.321.2 and may need to add the new definitions to these sections off the administrative code if this bill is enacted.

Effective Date

Applies to policies, contracts, and agreements entered into, offered, or issued on or after July 1, 2026. This may not be enough runway SHB implementation. SHB would need to discuss with its PBM.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

None

OTHER SUBSTANTIVE ISSUES

Title XIX (Medicaid) is an entitlement program and Title XXI (Children’s Health Insurance Program (CHIP)) is an optional program, which must be reauthorized every few years but does need an appropriation by the United States Congress periodically. Both Medicaid and CHIP are governed by federal statutes, regulations and rules. The New Mexico Medicaid program (Medicaid and CHIP) operate under a State Plan approved by the Centers for Medicare and Medicaid Services (CMS) in accordance with federal statutes, regulations and rules. Medicaid covered services are specified in the State Plan, including safeguards such as prior authorization and service limitations to minimize unintended consequences, such as supply or demand induced services. Federal regulations permit the application of prior authorization for certain items or services to make sure the items or services are medically necessary and clinically appropriate. SB 233047.2 would remove some of these safeguards and will potentially result in potential costs to the Medicaid program.

ALTERNATIVES

NA

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo

AMENDMENTS

None