LFC Requester:	Allegra Hernandez

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: 3/14/2025 *Check all that apply:*
Bill Number: SB120 Original __ Correction __
Amendment _ Substitute _X

Sponsor: Martin Hickey
Jeff Steinborn

Agency Name and Code Number: New Mexico Public Schools Insurance Authority 34200

Short Title: No Behavioral Health Cost Sharing

Person Writing Kaylynn Roybal
Phone: 505-476-1672 **Email** kaylynn.roybal@psia.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
Total	$0	$0	$1,325	$1,325	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

Senate Bill 120 amends the Health Care Purchasing Act and the New Mexico Insurance Code by removing the date limit provision that was set to expire on January 1, 2027, thereby making the prohibition of cost-sharing for behavioral health services permanent. The bill affects group health coverage, individual and group health insurance policies, health maintenance organizations, and the New Mexico Insurance Pool by continuing to prohibit copayments, coinsurance, and deductibles for behavioral health services.

Current Law:
Under Sections 13-7-26 NMSA 1978 and 59A-22-57 NMSA 1978, the existing law prohibits cost-sharing for behavioral health services, but this requirement was scheduled to expire on January 1, 2027. After that date, unless further legislative action was taken, cost-sharing requirements could be reinstated for these services.

Proposed Amendments in SB120:
The bill removes the phrase "[Until January 1, 2027]" from both Section 13-7-26(A) NMSA 1978 and Section 59A-22-57(A) NMSA 1978. These amendments ensure that the cost-sharing prohibition remains in place without an expiration date.

Definitions as Stated in the Bill:

- Behavioral Health Services: Includes inpatient care, detoxification, residential treatment, partial hospitalization, intensive outpatient therapy, outpatient services, and medications, including brand-name drugs when no generic is available.
- Cost Sharing: Any financial obligation of an enrollee other than premiums, including copayments, coinsurance, and deductibles.
- Copayment: A fixed dollar amount an enrollee must pay for health services.
- Coinsurance: A percentage of medical expenses an enrollee must pay after meeting a deductible.

Substitute SB120 removes out of network services, in-network emergency room and urgent care visits from the “no member cost-sharing” provision under this bill.

FISCAL IMPLICATIONS

The results below are based on actual NMPSIA data since the inception of SB317 (No Behavioral Health Cost Sharing) and take into account actual utilization. There is no impact projected for FY25 and FY26 due to current law SB317 which went into effect on January 1, 2023. SB317 already provides coverage for the same services rendered under SB120 leading to no additional impact. The projection for FY28 trends are 14% for pharmacy, 8% for medical, and a medical utilization trend of 2% which leads to the cost increase shown below:

Dollars in thousands:

	FY2025	FY2026	FY2027	3-Year Total
Amount	0	0	$1,325	$1,325

NMPSIA claims experience below was projected based on:

- Experience base used for future actual behavioral health expenses:
  - Base cost estimates used data available at time of SB317: incurred claims October 2018 – September 2020
  - Updates for FY26 and FY27 SB317, SB273 and SB120 estimates: incurred claims October 2023 – September 2024
  - This analysis utilizes NMPSIA's actual claims data provided to Segal via their SHAPE data warehouse.
  - Excludes any out-of-network services.
  - Excludes in-network emergency room and urgent care visits.
- Medical cost trend per annum
  - Prior to CY2024: 6%
  - On and after CY2024: 8%
- Pharmacy cost trend per annum
  - Prior to CY2024: 9%
  - On and after CY2024: 14%
- Base medical utilization trend (i.e. increase in utilization per capita): 2%
- Adjust cost due to supply and demand (induced utilization), based on experience seen with implementation of SB317:
  - Medical induced utilization: 10% in FY26 and 5% in FY27
  - Pharmacy: 5% for FY26, assumed to level off after

Dollars in thousands:

	FY2025	FY2026	FY2027	3-Year Total
Amount	$6,274	$8,150	$10,800	$25,224

This analysis does not include any potential savings with reduction in total cost of care for members engaged in mental health services. The data is still not complete to provide the proper analysis. NMPSIA has reviewed the cost of care for members engaged in behavioral health services. However, at this time, the data does not indicate enough savings to offset the additional cost for the benefits to be considered cost neutral. At this time, no analysis has been prepared regarding the overall impact on enrollees' general health or offsetting reductions in total costs for members, the cost-sharing restrictions mandated by SB317. The removal of the sunset provision would make these cost-sharing restrictions permanent for NMPSIA.

Prescription drugs covered for behavioral health services are based upon a list of national drug codes (NDCs) deemed to treat mental health and/or substance use disorders as indicated by pharmacy benefit provider in place when SB317 was passed. Utilization of these medications is for the treatment of behavioral health conditions and does not exclude medications attributable to off-label use.

To the extent these medications are prescribed to treat other conditions, cost impacts may be

lower. We are not able to definitively exclude prescriptions where off-label use is in play. CVS' estimate was lower (FY27 impact is approximately $3.2M vs. Segal's estimate at about $4M), likely reflecting CVS' formulary and possibly removing impact of off-label use; however, no details were included as to the methodology behind those estimates. Due to timing, estimates do not consider updated NDCs from CVS.

NMPSIA is aware of two research reports conducted by Milliman detailing the benefits of access to care for integrated medical-behavioral health and how individuals with behavioral health conditions contribute to physical and total healthcare spending.

The research reports contain the following findings, which support the need for accessible mental health services and the potential reduction of claims.

- Annual total healthcare costs for individuals in the high-cost behavioral subgroup averaged $45,782.

- Half of the individuals in the high-cost behavioral subgroup had less than $95 per year of total spending for behavioral health treatment.

- The behavioral health group accounted for 56.5% of total healthcare costs for the entire study population.

The study also revealed that appropriate consideration and management of prevalent behavioral health conditions are important in a comprehensive strategy to manage total healthcare costs and contribute to positive patient outcomes based on the favorable impact of effective behavioral health interventions.

SIGNIFICANT ISSUES

Behavioral health services cost and utilization have been outpacing those of other medical services since the inception of the original SB317 legislation and are continuing to do so.

NMPSIA will continue to provide coverage for utilization for both behavioral health (BH) and substance abuse disorder (SUD) which are currently a covered benefit. The continued benefit and the potential rise in the utilization of BH and SUD services necessitate monitoring to determine if the quality of care meets the established standards.

Induced utilization for behavioral health services may level off or vary from our assumptions depending upon members' continued utilization patterns for behavioral health services. Based upon recent experience, we include and recommend ongoing higher-induced utilization. To the extent actual utilization varies from our assumptions, cost impacts will vary.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS