



**Colorado
Legislative
Council
Staff**

SB17-203

**REVISED
FISCAL NOTE**

(replaces fiscal note dated March 14, 2017)

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0852

Date: March 30, 2017

Prime Sponsor(s): Sen. Todd
Rep. Covarrubias; Kennedy

Bill Status: House Health, Insurance, and
Environment

Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: PROHIBIT CARRIER FROM REQUIRING ALTERNATIVE DRUG

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue		
State Expenditures	Potential increase. See State Expenditures section.	
Appropriation Required: None.		
Future Year Impacts: Minimal potential increase in state expenditures.		

Summary of Legislation

The **reengrossed bill** defines "step therapy" as a protocol that requires a covered person to use a prescription drug, or sequence of prescription drugs, other than the drug recommended by the covered person's health care provider, prior to the carrier providing coverage for the recommended drug. Under the bill, health insurance carriers are prohibited from requiring a covered person to undergo step therapy if the covered person has tried a step-therapy-required drug under his or her current or previous health benefit plan and use of the drug was discontinued due to a lack of efficacy or effectiveness, diminished effect, or an adverse event. A health insurance carrier or utilization review organization may request documentation from a patient or provider concerning a covered person's request to override a step therapy requirement. The bill does not preclude the use of prior authorizations for prescription drug coverage under a person's current health plan even if that drug was covered under a previous plan.

State Expenditures

The bill may affect state workload and expenditures in two ways. First, the Division of Insurance in the Department of Regulatory Agencies may have a one-time increase in workload to incorporate the changes in the bill into its policies and to communicate the changes to insurance carriers. This work is expected to require a minimal amount of staff time.

Second, to the extent that the prohibition on step therapy results in more expensive prescription drugs being paid for by health benefit plans, state agencies' costs for employee health insurance may increase. Because state employee health insurance contributions are based upon prevailing market rates, with costs shared between the employer and employee, this bill is not expected to affect the state's share of employee health insurance premiums until FY 2018-19. Because insurance rates are influenced by a number of variables, the exact effect of this bill cannot be determined. Any increase caused by the bill will be addressed through the total compensation analysis included in the annual budget process.

Local Government Impact

Similar to the state impact discussed above, local governments offering health insurance coverage to their employees may experience an increase in costs. To the extent that the prohibition on step therapy increases insurance premiums, local government costs for employee health insurance may increase. Health insurance premiums depend on a variety of factors and an exact estimate of any potential increase cannot be determined.

Effective Date

The bill takes effect September 1, 2017, assuming no referendum petition is filed.

State and Local Government Contacts

Health Care Policy and Financing
Personnel

Information Technology
Regulatory Agencies

Research Note Available

An LCS Research Note for SB17-203 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.