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Nonpartisan Services for Colorado's Legislature

SB 20-119

FISCAL NOTE

Drafting Number: LLS 20-0742 Date: February 11, 2020
Prime Sponsors: Sen. Ginal Bill Status: Senate HHS
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Bill Topic: EXPAND CANADIAN RX DRUG IMPORT PROGRAM

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure (conditional)
- State Transfer
- TABOR Refund
- Local Government (conditional)
- Statutory Public Entity

This bill authorizes importation of drugs from nations other than Canada, conditional upon the enactment of federal legislation permitting states to do so. It may affect state expenditures on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

Senate Bill 19-005 created the Canadian Drug Importation Program. The bill directs the Department of Health Care Policy and Financing (HCPF) to design an importation program and submit it for approval to the United States Secretary of Health and Human Services by September 1, 2020.

This bill authorizes HCPF to expand the program to allow drug importation from a nation other than Canada, conditional upon the enactment of federal legislation permitting states to do so.

Background

If the program created in SB 19-005 is approved by the Federal Government, HCPF is required to begin operating the program within six months. That bill included an appropriation to implement the program, with delineations regarding how the money can be used prior to and subsequent to federal approval.

Under the program, HCPF would work with wholesale vendors which would contract with or facilitate contracts with suppliers to import prescription drugs. Vendors may import drugs that meet U.S. standards, including standards for safety, effectiveness, and misbranding, and that are expected to generate cost savings. Eligible importers include pharmacists or wholesalers dispensing to Medicaid recipients or inmates in the custody of the Department of Corrections; pharmacists and wholesalers approved by HCPF; and commercial plans as defined by HCPF rule.

## **State Expenditures**

The bill conditionally affects workload and expenditures for multiple state agencies related to program implementation and prescription drug savings, as described below.

**Department of Health Care Policy and Financing.** Any workload in HCPF is contingent both on the enactment of federal legislation authorizing drug importation from nations other than Canada and on approval of Colorado's request to import prescription drugs from Canada. If these conditions are met, HCPF will research the feasibility of expanding the drug importation program using resources approved in SB 19-005. If necessary, HCPF will request additional appropriations through the annual budget process.

**Potential state savings.** As discussed below, state programs may realize savings through lower prescription drug costs if the importation program is expanded. The extent of potential savings cannot be estimated at this time. It is assumed that savings will be addressed through the annual budget process, as necessary.

- *State employee group health insurance.* If the importation program allows state employees to purchase less expensive pharmaceuticals, costs for state employee group health insurance may decrease.
- *HCPF pharmacy benefits.* Programs administered by HCPF, including Medicaid and the Children's Basic Health Plan (CHP+), may have savings from lower pharmaceutical costs if the importation program is expanded. The state Medicaid program currently receives rebates on pharmaceuticals that reduce costs by nearly 50 percent compared to the retail prices. It is unknown if wholesale importation from Canada or other nations will result in greater savings than from currently available rebates for domestically obtained pharmaceutical products.
- *Other agencies.* The Departments of Corrections, Human Services, and Public Health and Environment, and any other state agency that purchases pharmaceuticals, may also see a decrease in costs.

## **Local Government**

Similar to the state, local governments that offer health insurance as an employee benefit or purchase pharmaceuticals may realize savings under the bill if the importation program is expanded. The extent of these savings cannot be estimated.

## **Effective Date**

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

## **State and Local Government Contacts**

Health Care Policy and Financing  
Public Health and Environment  
Information Technology

Corrections  
Regulatory Agencies  
Personnel

Human Services  
Law