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Fiscal Note

Drafting Number:	LLS 23-0181	Date:	February 16, 2023
Prime Sponsors:	Rep. Michaelson Jenet Sen. Rodriguez	Bill Status:	House Health & Insurance
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Bill Topic: DRUG COVERAGE FOR SERIOUS MENTAL ILLNESS

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

For drugs treating certain mental health conditions, the bill makes changes to step therapy requirements and requires that HCPF review newly FDA approved drugs within 90 days. The bill increases state expenditures on an ongoing basis.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$106,234 to the Department of Health Care Policy and Financing

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

**Table 1
State Fiscal Impacts Under HB 23-1130**

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-
Expenditures	General Fund	\$53,117	\$66,330
	Federal Funds	\$53,117	\$66,331
	Centrally Appropriated	\$18,045	\$23,327
	Total Expenditures	\$124,279	\$155,988
	Total FTE	0.8 FTE	1.0 FTE
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$7,968	\$9,950

Summary of Legislation

The bill prohibits state-regulated insurance plans from requiring more than one alternative drug trial as part of a step therapy protocol before covering a drug prescribed by a provider to treat select mental health conditions. The bill also allows a provider to attest a prescribed drug is necessary, without undergoing step therapy, and the insurance plan must cover the drug. Lastly, the bill requires the Department of Health Care Policy and Financing (HCPF) to review newly FDA-approved drugs for certain mental health conditions within 90 days for coverage of the drug under Medicaid.

Background

Presently, HCPF monitors market availability and reviews newly available drugs to determine if and how they should be covered. After this review, newly available drugs are reviewed by the Drug Utilization Review Board (DUR Board) and the Pharmacy and Therapeutics Committee (P&T Committee), which meet quarterly, to determine how the drugs are covered under Medicaid. The process time varies but generally exceeds 90 days.

State Expenditures

The bill increases state expenditures in HCPF by \$124,279 in FY 2023-24 and \$155,988 in FY 2024-25. Costs are shared between the General Fund and federal funds. Expenditures are shown in Table 2 and detailed below. It will also increase workload in the Department of Regulatory Agencies (DORA).

Table 2
Expenditures Under HB 23-1130

	FY 2023-24	FY 2024-25
Department of Health Care Policy and Financing		
Personal Services	\$98,484	\$131,311
Operating Expenses	\$1,080	\$1,350
Capital Outlay Costs	\$6,670	-
Centrally Appropriated Costs ¹	\$18,045	\$23,327
Total Cost	\$124,279	\$155,988
Total FTE	0.8 FTE	1.0 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Health Care Policy and Financing. HCPF requires 1.0 FTE to monitor FDA approvals for newly approved drugs, as opposed to monitoring market availability for newly available drugs. This staff will then determine if a drug meets the bill's criteria for expedited coverage within 90 days of FDA approval. In the first year, this staff will also be responsible for developing the protocols and rules for reviewing drugs and granting temporary prior authorization approval prior to the drug's review by the DUR Board and the P&T Committee. Staffing costs are prorated in the first year for the

General Fund pay date shift and the bill's effective date and include standard operating and capital outlay costs.

Division of Insurance (DORA). The Division of Insurance in DORA will have additional workload to review insurance plan rate filings as insurers add the new requirement to their plans. It is assumed this work will occur as part of the regular rate review process. The division may also have an increase in consumer inquiries and complaints regarding the new coverage requirement. This work can be accomplished within existing appropriations.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2023-24, the bill requires an appropriation of \$106,234 to the Department of Health Care Policy and Financing, split evenly between General Fund and federal funds, and 1.0 FTE

State and Local Government Contacts

Behavioral Health Administration
Information Technology

Health Care Policy and Financing
Regulatory Agencies