



Legislative Council Staff

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FISCAL NOTE

Drafting Number: LLS 20-0021 Date: January 27, 2020
Prime Sponsors: Rep. Jaquez Lewis; Mullica Bill Status: House Health & Insurance
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Bill Topic: PHARMACY BENEFIT MANAGEMENT FIRM CLAIMS PAYMENTS

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

The bill establishes rates that pharmacy benefit management firms are required to reimburse pharmacies. It may increase 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

The bill establishes certain requirements concerning the rates paid by pharmacy benefit management (PBM) firms to pharmacies. It applies to contracts between pharmacies and PBM firms in effect beginning January 1, 2021. Specifically, the bill states that a PBM firm:

- cannot reimburse a clean claim from a pharmacy any less than the firm reimburses any affiliate for the same services;
cannot reimburse a pharmacy less than four dollars for a reasonable dispensing fee;
must reimburse a clean claim using a methodology described in the bill; and
may not retroactively reduce payment on a clean claim submitted by a pharmacy.

Insurance carriers must annually audit contracted PBM firms for compliance. Failure to do so is designated as an unfair method of competition and an unfair or deceptive act in the business of insurance.

State Expenditures

The bill may increase costs and workload in multiple state agencies as described below.

Department of Regulatory Agencies. The State Board of Pharmacy and the Division of Professions and Occupations may experience an increase in workload for outreach and education related to the bill. The Division of Insurance will have an increase in workload to include monitoring of insurance carrier compliance with the audit requirement and possible enforcement actions. Any increase in workload can be accomplished within existing appropriations.

State employee insurance. To the extent that the bill increases costs for PBM firms contracted by the state for employee health insurance plans, state expenditures could increase. Any cost increase could contribute to higher insurance premiums, which would be shared by state agencies and employees. Because insurance rates are influenced by a number of variables, the impact of this bill on premiums is not estimated. Any increase caused by the bill will be addressed through the total compensation analysis included in the annual budget process.

Local Government

Similar to state employee insurance, to the extent that premiums increase for local government insurance plans, cost increases will be shared by local governments and employees.

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. It applies to contracts and agreements in effect beginning January 1, 2021.

State and Local Government Contacts

Health Care Policy and Financing
Public Health and Environment

Higher Education
Regulatory Agencies

Law
Personnel