



**Colorado  
Legislative  
Council  
Staff**

**SB17-084**

**FISCAL NOTE**

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

<b>Drafting Number:</b> LLS 17-0587	<b>Date:</b> February 2, 2017
<b>Prime Sponsor(s):</b> Sen. Jahn Rep. Singer; Esgar	<b>Bill Status:</b> Senate Health and Human Services <b>Fiscal Analyst:</b> Bill Zepernick (303-866-4777)

**BILL TOPIC:** COVERAGE FOR DRUGS IN A HEALTH COVERAGE PLAN

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
<b>State Revenue</b>	<b>\$0</b>	
<i>State Diversions</i>		
General Fund	(24,000)	
Cash Funds	24,000	
<b>State Expenditures</b>	<b>\$24,000</b>	Potential increase.
Cash Funds	24,000	See State Expenditures section.
<b>Appropriation Required:</b> \$24,000 - Department of Regulatory Agencies (FY 2017-18).		
<b>Future Year Impacts:</b> Minimal potential increase in state expenditures.		

**Summary of Legislation**

The bill prohibits a health insurer in the individual and small group markets from excluding or limiting coverage for a drug for an individual if:

- the drug was covered at the time the individual enrolled in the health plan;
- a health care provider continues to prescribe the drug for the individual; and
- the drug is safe and effective, as determined by the prescribing health care provider.

In addition, a health insurer cannot increase a covered individual's copayment, coinsurance, or deductible for prescription drug benefits during the plan year or set limitations on maximum coverage for prescription drugs. If a health insurer uses a tiered formulary, it cannot move drugs to a disadvantaged tier if the three conditions listed above are met.

**State Revenue**

While the bill does not change net revenue to the state, it does result in a diversion of funds from the General Fund, as described below.

**State diversions.** This bill diverts \$24,000 from the General Fund in FY 2017-18. This revenue diversion occurs because the bill increases costs in the Department of Regulatory Agencies, Division of Insurance, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

**State Expenditures**

**Department of Regulatory Agencies.** This bill results in a one-time cost of \$24,000 in the Division of Insurance in FY 2017-18 to conduct an out-of-cycle rate review for 2018 health insurance plans. This rate review will require about 625 hours of temporary rate analyst and actuary staff. Costs are paid from the Division of Insurance Cash Fund. This out-of-cycle filing results because insurers are required to prepare and submit rate filings for 2018 plans with the Division of Insurance by May 15, 2017. The fiscal note assumes the current effective date of this bill will not give insurers sufficient time to alter their filings prior to the submission deadline.

**State employee insurance.** The bill's prohibition on mid-year limitations on prescription drugs may contribute to higher health insurance premiums by limiting the ability of an insurer to respond to price increases by pharmaceutical companies, which may impact costs for state agencies. 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**

If the bill increases the drug costs paid by health insurers, local governments that provide affected health insurance plans to their employees may experience an increase in premiums beginning January 1, 2018.

### **Effective Date**

The bill takes effect on January 1, 2018, if no referendum petition is filed.

### **State Appropriations**

For FY 2017-18, the Department of Regulatory Agencies requires an appropriation of \$24,000 from the Division of Insurance Cash Fund.

### **State and Local Government Contacts**

Counties  
Information Technology  
Regulatory Agencies

Health Care Policy and Financing  
Personnel