



Legislative Council Staff

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Fiscal Note

Drafting Number: LLS 21-0317 **Date:** April 27, 2021
Prime Sponsors: Rep. Lontine; Will **Bill Status:** House Health & Insurance
 Sen. Ginal; Kirkmeyer **Fiscal Analyst:** Max Nardo | 303-866-4776
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Bill Topic: **MEDICAID REIMBURSEMENT FOR SERVICES BY PHARMACISTS**

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 |

The bill modifies the state's Medicaid program to include payment to pharmacists for all services within their scope of practice. It increases state expenditures on an ongoing basis.

Appropriation Summary: For FY 2021-22, the bill requires appropriations of \$1.1 million 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 21-1275

| | | Budget Year FY 2021-22 | Out Year FY 2022-23 | Out Year FY 2023-24 |
|---------------------|---------------------------|-----------------------------------|--------------------------------|--------------------------------|
| Revenue | | - | - | - |
| Expenditures | General Fund | \$112,222 | \$2,291,944 | \$3,009,203 |
| | Cash Funds | - | \$366,644 | \$488,859 |
| | Federal Funds | \$1,009,994 | \$4,864,342 | \$6,406,400 |
| | Centrally Appropriated | \$40,104 | \$49,454 | \$49,454 |
| | Total Expenditures | \$1,162,320 | \$7,572,384 | \$9,953,916 |
| | Total FTE | 1.6 FTE | 2.0 FTE | 2.0 FTE |
| Transfers | | - | - | - |
| TABOR Refund | | - | - | - |

Summary of Legislation

The bill modifies the state's Medicaid program to include payment to pharmacists for all services within their scope of practice. Pharmacists must be paid equivalent to physicians or advanced practice nurses when providing the same services, including services delivered through telemedicine. In addition, the bill authorizes Medicaid payments to authorized pharmacists to administer extended-release injectable medications for treatment of mental health or substance use disorders, which can be paid either as a pharmacy or medical benefit.

The Department of Health Care Policy and Financing (HCPF) is directed to seek federal authorization and financial participation to implement these changes.

Background

Colorado's Medicaid program does not currently reimburse pharmacists for clinical services. The Medicaid program includes a prescription drug benefit, and reimburses pharmacists for prescribing drugs under certain circumstances and for the administration of vaccines and some opioid antagonist drugs. There are currently about 8,400 licensed pharmacists in Colorado, and an additional 4,600 pharmacy technicians and 1,110 pharmacy interns.

Assumptions

The fiscal note assumes the state's Medicaid program would begin reimbursing pharmacists for medication consultation services, primary care services delivered in a pharmacy setting, and pharmacy administered drugs beginning July 1, 2022, following rule changes, a state plan amendment, and payment system updates.

State Expenditures

The bill increase state expenditures by \$1.2 million and 1.6 FTE in FY 2021-22, \$7.6 million and 2.0 FTE in FY 2022-23, and \$10.0 million and 2.0 FTE in subsequent years. Staffing and administrative costs increase in FY 2021-22, with expanded medical service costs beginning the following year. Costs are paid with a mix of state and federal funds. These costs are shown in Table 2 and described below.

**Table 2
Expenditures Under HB 21-1275**

| Cost Components in HCPF | FY 2021-22 | FY 2022-23 | FY 2023-24 |
|---|--------------------|--------------------|--------------------|
| Medical Services | | | |
| Primary Care Services | - | \$5,883,094 | \$7,844,125 |
| Medication Consultation Services | - | \$1,124,766 | \$1,499,688 |
| Pharmacist-Administered Drugs | - | \$136,736 | \$182,315 |
| Medical Services Subtotal | - | \$7,144,596 | \$9,526,128 |
| Staffing and Administration | | | |
| Personal Services | \$149,696 | \$179,634 | \$179,634 |
| Operating Expenses | \$2,160 | \$2,700 | \$2,700 |
| Capital Outlay Costs | \$12,400 | - | - |
| IT System Modifications | \$957,960 | \$196,000 | \$196,000 |
| Centrally Appropriated Costs ¹ | \$40,104 | \$49,454 | \$49,454 |
| Staffing and Administration Subtotal | \$1,162,320 | \$427,788 | \$427,788 |
| Total | \$1,162,320 | \$7,572,384 | \$9,953,916 |
| Total FTE | 1.6 FTE | 2.0 FTE | 2.0 FTE |

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

Medical services. Pharmacist-provided medical services added by the bill are expected to be available to Medicaid clients July 1, 2022. These services fall into three categories, which are described below. FY 2023-24 costs represent an estimate of ongoing annual costs; FY 2022-23 is prorated at 75 percent of full costs to reflect a ramp-up in utilization in the first year. Medication consultation costs are split evenly between General Fund and federal funds. Other services are funded based on the patient's Medicaid eligibility category; cumulatively these are estimated at 68 percent federal funds, 26 percent General Fund, and 6 percent cash funds.

- *Primary care services.* The fiscal note assumes these benefits will be utilized 94,206 times per year and reimbursed at an average rate of \$83.27 per instance. This estimate is based on the 248,000 clients that are likely connected to a pharmacy (specifically, receiving medication for diabetes treatment, tobacco cessation, HIV prevention, oral contraceptives, and hypertension). Of this group, 61 percent are not connected to services in a managed care setting, and it is assumed half of these individuals will utilize an average of one primary care service from a pharmacist. This total is increased by 25 percent to account for individuals not currently seeking treatment but may be induced to do so given increased provider availability resulting from this bill.
- *Medication consultation services.* The fiscal note assumes this type of benefit will be utilized 13,886 times per year and reimbursed at a rate of \$108 per instance. This estimate is based on an assumption that half of the existing 27,772 Medicaid clients with multiple chronic conditions or a complex medication regimen, as defined by HCPF, would receive one additional consultation per year.

- *Pharmacist-administered drugs.* The fiscal note assumes 25 percent of long-acting injectable drugs currently administered by other providers will shift to pharmacists. While pharmacists will be paid equal to other providers for this service, department data shows a roughly 3.1 percent price differential between pharmacist-administered drugs and physician-administered drugs.

Potential Medicaid cost avoidance. The program will result in additional medical services rendered to Medicaid clients. By receiving improved medication management, chronic disease control, or disease prevention services, Medicaid clients may see a reduction in emergency department visits or other costly medical interventions that would otherwise be incurred; however, due to insufficient information, these potential savings cannot be estimated. Any such savings will accrue to the state through the annual budget process.

Staffing and administration. HCPF requires two additional staff members to administer the program on an ongoing basis. Duties will consist of applying for a state plan amendment, policy development and initial implementation, evaluation, provider support, addressing complaints and billing issues, and generally providing subject matter expertise within the department. These costs are split evenly between the General Fund and federal funds, and are prorated to account for a hire date of September 1, 2021.

IT system modifications. HCPF will be required to make adjustments to its information technology systems. This consists of one-time updates to the Medicaid Management Information System (MMIS) and ongoing Pharmacy Benefit Management System (PBMS) updates.

- *MMIS.* The Medicaid claims and payment processing system must be configured to expand the provider types able to bill for the newly added services. This one-time cost is estimated at \$822,960, which is 90 percent federal funds and 10 percent General Fund.
- *PBMS.* This consists of updating the system to configure drug lists for pharmacists, enabling prior authorization for pharmacists for administering drugs, and providing call center support to assist physicians and pharmacists with billing inquiries. Costs are estimated at \$135,000 in FY 2021-22 for initial development and \$196,000 in subsequent years. Costs are estimated to be 90 percent federally funded in FY 2021-22 and 75 percent in future years, with the remainder being paid from the General Fund.

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 estimated to be \$40,104 in FY 2021-22 and \$49,454 in subsequent and future years.

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 2021-22, the bill requires appropriations of \$1,122,216 to HCPF, and an allocation of 1.6 FTE. Of this total:

- \$112,222 is from the General Fund, and
- \$1,009,994 is federal funds.

Departmental Difference

HCPF estimates that the costs of the bill in FY 2022-23 will be \$9,526,128. This department estimate is based on fully utilization of newly eligible services provided by pharmacists with no ramp-up period. The fiscal note assumes that utilization will be 75 percent of its eventual total, with total costs of \$7,144,596 estimated in FY 2022-23. Other than medical services costs in FY 2022-23, Legislative Council Staff and HCPF agree on the bill's costs.

State and Local Government Contacts

Health Care Policy and Financing