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Revised Fiscal Note

(replaces fiscal note dated May 11, 2021)

Drafting Number: LLS 21-0317 Date: May 26, 2021
Prime Sponsors: Rep. Lontine; Will Sen. Ginal; Kirkmeyer Bill Status: Senate SVMA
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Bill Topic: MEDICAID REIMBURSEMENT FOR SERVICES BY PHARMACISTS

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

The bill modifies the state's Medicaid program to include payment to pharmacists when working in a collaborative practice agreement with a physician and allows clinical pharmacist services to be reimbursed at federally qualified health centers. It increases state expenditures on an ongoing basis.

Appropriation Summary: For FY 2021-22, the bill requires appropriations of \$1.7 million to the Department of Health Care Policy and Financing.

Fiscal Note Status: The revised fiscal note reflects the reengrossed bill.

Table 1 State Fiscal Impacts Under HB 21-1275

Table with 4 columns: Category, Budget Year FY 2021-22, Out Year FY 2022-23, and FTE. Rows include Revenue, Expenditures (General Fund, Cash Funds, Federal Funds, Centrally Appropriated, Total Expenditures), Total FTE, Transfers, and TABOR Refund.

Summary of Legislation

The bill modifies the state's Medicaid program to include payment to pharmacists working in a collaborative practice agreement with a physician for services within their scope of practice and not duplicative of existing services covered by Medicaid. In addition, the bill authorizes Medicaid payments to authorized pharmacists to administer or dispense extended-release injectable medications for treatment of mental health or substance use disorders, which can be paid either as a pharmacy or medical benefit. Lastly, the bill requires that clinical pharmacy services be considered allowable costs in a federally qualified health center (FQHC) setting.

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.

State Expenditures

The bill increases state expenditures by \$1.8 million and 1.6 FTE in FY 2021-22 and \$4.2 million and 2.0 FTE in FY 2022-23 and subsequent years. 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
Medical Services		
Primary Care Services	-	\$1,987,558
Pharmacists in FQHC Setting	\$598,572	\$1,596,192
Pharmacist-Administered Drugs	-	\$182,315
Medical Services Subtotal	\$598,572	\$3,766,065
Staffing and Administration		
Personal Services	\$149,694	\$179,634
Operating Expenses	\$2,430	\$2,700
Capital Outlay Costs	\$12,400	-
IT System Modifications	\$957,960	\$196,000
Centrally Appropriated Costs ¹	\$41,764	\$49,454
Staffing and Administration Subtotal	\$1,164,248	\$427,788
Total	\$1,762,820	\$4,193,853
Total FTE	1.6 FTE	2.0 FTE

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

Medical services. Outside of FQHCs, pharmacist-provided medical services added by the bill are assumed to be available to Medicaid clients July 1, 2022, following rule changes, state plan amendments, and system updates. All medical 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 29,838 times per year and reimbursed at an average rate of \$66.61 per instance. This estimate is based on the number of Medicaid clients receiving medications for diabetes treatment, tobacco cessation, HIV prevention, oral contraceptives, and hypertension, the estimated percentage of those clients who are not connected to services in a managed care setting, and an assumption that about one-third of pharmacies would participate.
- *Pharmacists in FQHC Setting.* According to HCPF, there are currently three FQHCs providing clinical pharmacy services to patients, though they do not receive Medicaid payment. The average amount spent on clinical pharmacists is about \$200,000. Not all FQHCs would provide clinical pharmacy services due to size and capacity constraints; cost estimates assume three pharmacists will be paid for services in FY 2021-22 and eight in subsequent years.

- *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 are assumed to be paid equal to other providers for this service, the cost increase is based on department data showing 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 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 \$41,764 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 \$1,721,056 to HCPF, and an allocation of 1.6 FTE. Of this total:

- \$336,097 is from the General Fund;
- \$36,457 is from the Health Care and Affordability and Sustainability Fee Cash Fund; and
- \$1,348,502 is federal funds.

State and Local Government Contacts

Health Care Policy and Financing