



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Fiscal Note

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<b>Drafting Number:</b>	LLS 21-0091	<b>Date:</b>	February 25, 2021
<b>Prime Sponsors:</b>	Sen. Ginal; Coram	<b>Bill Status:</b>	Senate HHS
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**Bill Topic:** EXPAND CANADIAN RX IMPORT PROGRAM

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**Summary of Fiscal Impact:**

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure ( <i>conditional</i> )	<input checked="" type="checkbox"/> Local Government ( <i>conditional</i> )
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill authorizes the expansion of the Canadian Drug Importation Program to include other nations if federal action allows it. It may affect state and local government expenditures on an ongoing basis.

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**Appropriation Summary:** No appropriation is required

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

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## Summary of Legislation

Senate Bill 19-005 created the Canadian Drug Importation Program. This bill authorizes the Department of Health Care Policy and Financing (HCPF) to expand the program to allow drug importation from nations other than Canada, conditional upon the enactment of federal legislation permitting states to do so.

## Background

**Canadian Drug Importation.** Since the passage of SB 19-005, the federal Department of Health and Human Services has issued a final rule allowing importation of certain prescription drugs from Canada. Under this rule, states may submit importation proposals to the federal Food and Drug Administration for authorization. HCPF is currently preparing Colorado's application; the department estimates that an importation program could be operational by mid-2022 at the earliest.

Under the program, HCPF would work with wholesale vendors, which would contract with suppliers to import prescription drugs. Vendors may import drugs that meet U.S. standards, including standards for safety, effectiveness, and misbranding, and that are expected to generate cost savings. Eligible importers include pharmacists or wholesalers dispensing to Medicaid recipients or inmates in the custody of the Department of Corrections; pharmacists and wholesalers approved by HCPF; and commercial plans as defined by HCPF rule.

## **State Expenditures**

Conditional upon the federal government enacting legislation allowing states to import prescription drugs from nations other than Canada, the bill will affect workload and expenditures for multiple state agencies.

**Department of Health Care Policy and Financing.** Conditional upon the federal action described above, HCPF will research the feasibility of expanding the drug importation program. This work will be done using funding approved in SB 19-005. If necessary, HCPF will request additional appropriations through the annual budget process.

**Potential state savings.** As discussed below, state programs may realize savings through lower prescription drug costs if the importation program is expanded. The extent of potential savings cannot be estimated at this time. Any savings will be addressed through the annual budget process, as necessary.

- **State employee group health insurance.** If the importation program enables state employees to purchase less expensive pharmaceuticals, costs for state employee group health insurance may decrease.
- **HCPF pharmacy benefits.** Programs administered by HCPF, including Medicaid and the Children's Basic Health Plan (CHP+), may have savings from lower pharmaceutical costs if the importation program is expanded. The state Medicaid program currently receives rebates on pharmaceuticals, reducing costs by nearly 50 percent compared to the retail prices. It is unknown if wholesale importation from Canada or other nations will result in greater savings than the currently available rebates for domestically obtained pharmaceutical products.
- **Other state agencies.** The Departments of Corrections, Human Services, and Public Health and Environment, and any other state agency that purchases pharmaceuticals, may also see a decrease in costs.

## **Local Government**

Similar to the state, local governments that offer health insurance as an employee benefit or purchase pharmaceuticals may realize savings under the bill if the importation program is expanded. The extent of these savings cannot be estimated.

## **Effective Date**

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

## **State and Local Government Contacts**

Corrections  
Human Services  
Public Health and Environment  
Law

Health Care Policy and Financing  
Information Technology  
Regulatory Agencies  
Personnel