



**Legislative Council Staff**

*Nonpartisan Services for Colorado's Legislature*

**Revised Fiscal Note**

(replaces fiscal note dated February 23, 2024)

<b>Drafting Number:</b>	LLS 24-0735	<b>Date:</b>	April 22, 2024
<b>Prime Sponsors:</b>	Sen. Rodriguez; Kirkmeyer	<b>Bill Status:</b>	Senate Appropriations
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**Bill Topic: MEDICAID PRIOR AUTHORIZATION PROHIBITION**

<b>Summary of Fiscal Impact:</b>	<input type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill limits the Department of Health Care Policy and Financing’s ability to impose prior authorization requirements on antipsychotic drugs. The bill increases state expenditures on an ongoing basis.

**Appropriation Summary:** For FY 2024-25, the bill requires an appropriation of \$4.3 million to the Department of Health Care Policy and Financing

**Fiscal Note Status:** The revised fiscal note reflects the introduced bill as amended by the Senate Health and Human Services Committee. Due to time constraints, this analysis is preliminary and will be updated following further review and any additional information received.

**Table 1  
State Fiscal Impacts Under SB 24-110**

		<b>Budget Year FY 2024-25</b>	<b>Out Year FY 2025-26</b>
<b>Revenue</b>		-	-
<b>Expenditures</b>	General Fund	\$1,123,301	\$1,234,872
	Cash Funds	\$257,362	\$282,924
	Federal Funds	\$2,901,550	\$3,177,649
	<b>Total Expenditures</b>	<b>\$4,282,213</b>	<b>\$4,695,445</b>
<b>Transfers</b>		-	-
<b>Other Budget Impacts</b>	General Fund Reserve	\$168,495	\$185,231

## **Summary of Legislation**

Currently, the Department of Health Care Policy and Financing (HCPF) uses prior authorization requirements (PARs) that require clients to fail on two preferred antipsychotic drugs before receiving coverage for a non-preferred drug, unless the client is already stable on a non-preferred drug. The bill limits this PAR to failure on one preferred antipsychotic drug.

## **State Expenditures**

The bill increases expenditures in HCPF by about \$4.3 million in FY 2023-24 and \$4.6 million in FY 2024-25, paid from the General Fund, the Healthcare Affordability and Sustainability Cash Fund, and federal funds. The fiscal note assumes that Medicaid members will increase utilization of non-preferred antipsychotic drugs by at least the amount of denied claims due to the PAR's second failure requirement. Costs are assumed to grow by 9.65 percent per year based on current acute care growth rate trends. These drugs receive about a 70 percent federal funding match.

In addition, there may be additional Medicaid members who did not previously submit claims due to the expectation that they would be denied, who would now submit claims under the less restrictive PAR. This would contribute to higher costs than estimated above. On the other hand, increased drug utilization could lead to cost savings. It is assumed these additional impacts will be accounted for through the annual budget process based on actual utilization.

## **Other Budget Impacts**

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

## **Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## **State Appropriations**

For FY 2024-25, the bill requires an appropriation of \$4,282,213 to the Department of Health Care Policy and Financing, which includes \$1,123,301 from the General Fund, \$257,362 from the Healthcare Affordability and Sustainability Cash Fund; and \$2,901,550 from federal funds.

## **State and Local Government Contacts**

Health Care Policy and Financing