Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

SB 25-048: DIABETES PREVENTION & OBESITY TREATMENT ACT

Prime Sponsors:
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Fiscal note status: The fiscal note reflects the introduced bill. This analysis is preliminary and will be updated pending additional information regarding the drug market or state employee coverage status.

Summary Information

Overview. The bill requires health benefit plans to cover lifestyle therapy, bariatric surgery, and anti-obesity medication for the treatment of chronic obesity and pre-diabetes. The Department of Health Care Policy and Financing must seek federal authorization to provide these treatments; and, if approved, notify members in writing about the availability of treatment.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- State Diversions
- Local Government

Appropriations. For FY 2025-26, the bill requires an appropriation of $76.3 million, primarily to the Department of Health Care Policy and Financing; however, the bill includes a provision stating that the department must implement the bill within existing appropriations (see Technical Note).

Table 1
State Fiscal Impacts

Type of Impact[1]	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
State Revenue	$0	$0	$0
State Expenditures	$76,251,262	$138,902,158	$127,583,650
Diverted Funds	$9,499	$9,499	$9,499
Change in TABOR Refunds	$0	$0	$0
Change in State FTE	0.1 FTE	0.1 FTE	0.1 FTE

[1] Fund sources for these impacts are shown in the tables below.

Table 1A
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	$15,765,246	$28,012,170	$25,883,779
Cash Funds	$5,198,039	$9,627,650	$8,807,862
Federal Funds	$55,286,032	$101,260,393	$92,890,064
Centrally Appropriated	$1,945	$1,945	$1,945
Total Expenditures	**$76,251,262**	**$138,902,158**	**$127,583,650**
Total FTE	**0.1 FTE**	**0.1 FTE**	**0.1 FTE**

Table 1B
State Diversions

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	-$9,499	-$9,499	-$9,499
Cash Funds	$9,499	$9,499	$9,499
Net Transfer	**$0**	**$0**	**$0**

Summary of Legislation

The bill requires state-regulated health benefit plans to cover medical nutrition therapy, the National Diabetes Prevention Program (DPP) and other lifestyle therapies, metabolic and bariatric surgery, and U.S. Food and Drug Administration (FDA)-approved anti-obesity medication for the treatment of chronic obesity and pre-diabetes. Coverage restrictions cannot be more restrictive than restrictions placed on treatments for other conditions. The Department of Regulatory Agencies (DORA) is required to determine whether a state defrayal is necessary for the new coverage requirements. The requirements apply to plans issued or renewed after a determination that a state defrayal is not necessary is confirmed by the federal Department of Health and Human Services (HHS) or confirmation has been requested and HHS has not responded within 365 days.

Likewise, the bill requires Medicaid, operated by Department of Health Care Policy and Financing (HCPF), to seek federal authorization to provide coverage for the same set of services outlined above. If federal authorization is received, HCPF must notify members in writing about the availability of treatment and provide services within existing appropriations. Beginning in 2027, HCPF is required report on its efforts to reduce and manage the chronic disease of obesity and the treatment of pre-diabetes as part of its SMART Act hearing.

Background

Anti-Obesity Medications Recent Market Changes

Approved Uses

Glucagon-like peptide 1 (GLP-1) agonists can enhance the secretion of insulin. Over ten different products have been approved as a diabetes treatment over the past 20 years. GLP-1 with the active ingredient semaglutide or tirzepatide have been shown to be especially effective for weight-loss by decreasing appetite and slowing digestion.

Since 2017, two semaglutide drugs have been approved for diabetes treatment: Ozempic and Rybelsus. In June 2021, a new semaglutide medication was approved for weight loss management, Wegovy. All three drugs are produced by Novo Nordisk. In March 2024, Wegovy was approved for reducing the risk of major cardiovascular events in patients with a history of heart disease.

Since 2022, one tirzepatide drug has been approved for diabetes treatment, Mounjaro. In November 2023 a new tirzepatide drug was approved for weight loss management, Zepbound. Both drugs are produced by Eli Lilly. In December 2024, Zepbound was approved for moderate-to-severe obstructive sleep apnea (OSA) management.

Supply Shortages

As of March 2025, neither Wegovy nor Zepbound are experiencing supply shortages. As a result, the FDA has ordered compounding pharmacies, which have been producing a versions of the drug, to cease sales in 2025.

Price

In March 2025, with the resolution of the supply shortages and the introduction of competition, Wegovy and Zepbound have reduced their prices to $499 per month.[1]

Actuarial Analysis

An actuarial analysis of Comprehensive Obesity and Pre-Diabetes Coverage was conducted by an independent contractor, per the requirements of Senate Bill 22-040. The report may be obtained in its entirety on the Division of Insurance website.

[1] Associated Press, March 5, 2025. Novo Nordisk cuts Wegovy prices, following similar move by Zepbound-maker Eli Lilly. https://apnews.com/article/obesity-drugs-wegovy-zepbound-price-cuts-65477df55667078867d7b65a8ad3e245.

Assumptions

Medication Cost

Based on recent price changes discussed in the Background Section, this analysis assumes that a one-month supply of an approved GLP-1 anti-obesity medication currently costs around $800 before rebates and $500 after rebates. Cost may continue to change as other brands become approved for the treatment of chronic obesity.

Eligibility and Utilization

This analysis assumes that close to 150,000 Medicaid clients will be newly eligible for weight loss medication under the bill, based on:

- 2022 Colorado obesity rates estimated by the CDC, adjusted for the CDPHE's 2017 finding that the Medicaid population is more likely than the general population to be obese; and
- accounting for the fact that clients with diabetes, moderate-to-severe OSA, or cardiovascular disease are already eligible for weight-loss medications that are FDA-approved for those conditions.

This analysis assumes that, of that population in FY 2025-26, about 18,000 clients will use the medication benefit for about 5 months of the year and that the number of clients will increase to almost 26,000 for almost 10 months of the year by FY 2027-28, based on the following:

- implementation will start halfway through FY 2025-26 to allow HCPF to seek federal approval;
- on average, the medication will be used for 80 percent of the year based on the Medicaid continuation rate for long-term treatments;
- 70 percent of obese population will seek medical assistance based on the percent of the Medicaid population that receive preventative care visits;
- 25 percent will be willing to try medication based on the percent who expressed "a lot" of interest in these medications in a recent KFF survey;[2] and
- Utilization will be dampened by about 25 percent in the first year as awareness grows.

State Diversion

This bill diverts $9,500 from the General Fund in FY 2025-26 and ongoing. This revenue diversion occurs because the bill increases costs in the Division of Insurance in DORA, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

[2] Alex Montero, et al. August 4, 2023. KFF Health Tracking Poll July 2023: The Public's Views of New Prescription Weight Loss Drugs and Prescription Drug Costs. https://www.kff.org/health-costs/poll-finding/kff-health-tracking-poll-july-2023-the-publics-views-of-new-prescription-weight-loss-drugs-and-prescription-drug-costs.

State Expenditures

The bill increases state expenditures in HCPF by $76 million in FY 2025-26, $139 million in FY 2026-27, and $128 million in FY 2027-28, paid largely from federal funds and also from the General Fund and the Health Care Affordability and Sustainability Cash Fund. The bill also increases expenditures in DORA by $9,500 annually, paid from the Division of Insurance Cash Fund. Expenditures are shown in Table 2 and detailed below. The bill also impacts state employee insurance, administered by the Department of Personnel and Administration.

Table 2
State Expenditures
All Departments

Department	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Department of Health Care Policy and Financing	$76,241,763	$138,892,659	$127,574,151
Department of Regulatory Agencies	$9,499	$9,499	$9,499
Total Costs	**$76,251,262**	**$138,902,158**	**$127,583,650**

Department Health Care Policy and Financing

HCPF will have costs of $76 million, including $16 million General Funds, to meet the coverage requirements of the bill in FY 2025-26, based on the assumptions above and coverage beginning January 1, 2026. As utilization increases, this is estimated to increase to $128 million, including $26 million in General Funds by FY 2027-28.

Table 2A
State Expenditures
Department of Health Care Policy and Financing

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Medication Costs (see Table 2B)	$71,729,035	$134,234,545	$122,916,037
Independent Lifestyle Therapy Costs	$1,308,384	$1,362,075	$1,362,075
DPP Lifestyle Therapy Costs	$2,112,344	$2,204,039	$2,204,039
Notification Costs	$1,092,000	$1,092,000	$1,092,000
Total Costs	**$76,241,763**	**$138,892,659**	**$127,574,151**
Total FTE	**0.0 FTE**	**0.0 FTE**	**0.0 FTE**

Table 2B
Medication Costs
Department of Health Care Policy and Financing

	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Medication Cost (List Price)	$71,729,035	$201,501,700	$201,501,700
Drug Rebate (40 percent)	$0	-$67,267,155	-$78,585,663
Total Costs	**$71,729,035**	**$134,234,545**	**$122,916,037**

Medication Costs

The bill requires HCPF to provide Medicaid coverage for weight-loss medication to treat obesity. As outlined in the Assumptions section, about 18,000 clients are estimated use the medication in FY 2025-26, increasing to about 26,000 by FY 2027-28 at a cost of $500 per client per month after rebates. Cost per client account for the fact that there is a six-month lag between when HCPF pays full price for a drug and receives the rebate from the drug company (which reduces costs in out years by 40 percent). Table 2B shows detail on net drug costs to Medicaid after accounting for rebates and the six-month lag in receiving rebates.

Lifestyle Therapy

The bill requires HCPF to cover lifestyle therapy to treat obesity. HCPF will cover the National Diabetes Prevention Program (DPP) through required statewide managed care organization (MCO) coverage, similar to Pennsylvania. Costs were estimated based on Pennsylvania's experience, assuming about 6,000 annual participants. This analysis further assumes that HCPF will cover the cost of attending approved independent lifestyle therapy groups. This attendance can be in place of or in addition to participating in the DPP. Unlike the DPP, such groups are available to minors. This analysis assumes about 9,000 annual participants in independent lifestyle therapy groups.

Other Services

HCPF already covers bariatric surgery and medical nutrition therapy. The fiscal note assumes that the bill does not require HCPF to expand coverage; therefore, no additional resources are required

Notification Costs

The bill requires HCPF to notify members in writing about the availability of these treatments. This analysis assumes that this requires a mailed letter to all Medicaid enrollees.

Savings

The CDC created a toolkit to estimate the net cost to Medicaid of programs for people with pre-diabetes.[3] The toolkit assumes that people with prediabetes have a 3.8 percent chance of developing diabetes each year and uses the average Medicaid costs to treat diabetes as the potential cost avoidance estimate. Based on the toolkit, a program that results in participants losing on average 10 percent[4] of their bodyweight, would result in annual savings of around $500 per participant in year 5, at which point given current medication costs coverage would be cost neutral. Savings increase to about $1,000 per participant in year 10. Given the variables and the timeline, these savings are not included in the fiscal note but would be accounted for through the annual budget process as they are realized.

Department of Regulatory Agencies

Under the federal Affordable Care Act, if a state creates a new health benefit mandate on health insurers that is not an essential health benefit as specified in federal law, the state must pay insurers' costs in covering the new benefit (known as state defrayal). Under the bill, DORA will have costs to make its determination on whether the benefit added by this bill requires state defrayal and to submit this decision to the federal government for its confirmation and approval. If federal approval is not given, the new benefit requirements for private health insurers will not be enforced. To oversee this defrayal process, as well as to provide ongoing oversight of regulated insurers, DORA requires 0.1 FTE. This includes salary, based on an assumed September 2025 start date. Legal services workload will also minimally increase.

Table 2C
State Expenditures
Department of Regulatory Agencies

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Personal Services	$7,554	$7,554	$7,554
Centrally Appropriated Costs	$1,945	$1,945	$1,945
Total Costs	**$9,499**	**$9,499**	**$9,499**
Total FTE	**0.1 FTE**	**0.1 FTE**	**0.1 FTE**

[3] Centers for Disease Control and Prevention. Diabetes Prevention Impact Toolkit. https://nccd.cdc.gov/Toolkit/DiabetesImpact/State.

[4] Additional weight-loss beyond 10 percent has an indeterminate effect on health

State Employee Insurance

Currently state employee insurance complies with the coverage requirements in the bill. However, as a cost saving measure, DPA has presented a budget request to the General Assembly to reduce coverage for anti-obesity medication. The budget request includes $17 million in savings. If this bill passes, DPA will need to continue to provide coverage, which would offset the potential savings from this proposed budget action.

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 shown in the expenditure tables above.

Local Government

Similar to state employee insurance, to the extent that local government insurance plans do not provide coverage for the required weight loss treatments, costs for employee health insurance coverage will increase. The exact impact to local governments will vary depending on current coverage and how health insurance premiums are shared by local governments and employees.

Technical Note

The bill requires HCPF to implement the new Medicaid benefits required by the bill within existing appropriations. Medicaid is an entitlement program and is required by state and federal laws to provide covered services to eligible populations. HCPF will be unable to provide services under the bill without additional funding. Even if appropriations are not provided in this bill, HCPF has statutory authority to exceed its annual appropriations to meet its entitlement obligations, and any over-expenditure will be accounted for through the annual budget process.

Effective Date

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

State Appropriations

The bill requires HCPF to implement the bill within existing appropriations; however, the fiscal note estimates the bill requires the following appropriations for FY 2025-26:

- $76,241,763 to the Department of Health Care Policy and Financing, including:
    - $15,765,246 from the General Fund;
    - $5,190,485 from the Health Care Affordability and Sustainability Cash Fund; and
    - $55,286,032 from federal funds.
- $7,554 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies, and 0.1 FTE.

State and Local Government Contacts

Health Care Policy and Financing | Regulatory Agencies

Personnel