SB 25-124

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

SB 25-124: REDUCING COSTS OF HEALTH CARE FOR PATIENTS

Prime Sponsors:
Sen. Kirkmeyer; Gonzales J.
Rep. Brown; Garcia Sander

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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill places requirements on the use of profits from the 340B Drug Pricing Program for nonprofit hospitals and adds new reporting and enforcement provisions.

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

- State Expenditures
- State Revenue

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact[1]	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	$0	$0
State Expenditures	$0	$44,326
Transferred Funds	$0	$0
Change in TABOR Refunds	$0	$0
Change in State FTE	0.0 FTE	0.5 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
General Fund	$0	$0
Cash Funds (HAS Cash Fund)	$0	$17,747
Federal Funds	$0	$17,747
Centrally Appropriated	$0	$8,832
Total Expenditures	**$0**	**$44,326**
Total FTE	**0.0 FTE**	**0.5 FTE**

Summary of Legislation

The bill places requirements on nonprofit hospitals participating in the federal 340B Drug Pricing Program and adds new reporting requirements and enforcement measures, as described below.

Beginning January 1, 2026, participating nonprofit hospitals must allocate 340B profits in the following manner:

- 55 percent to decrease the out-of-pocket costs of 340B drugs for low-income patients; and
- 40 percent to lower other out-of-pocket healthcare costs for low-income patients.

The bill also limits the cost of 340B drugs for low-income patients and prohibits the use of 340B profits for certain expenses, including certain administrative compensation, penalties and fines, advertising, and lobbying.

Beginning July 1, 2026, nonprofit hospitals must submit annual reports to the Department of Health Care Policy and Financing (HCPF) on 340B program profits, expenditures, charity care, and payments to third parties. On September 1, 2026 and each year thereafter, HCPF must report this information to the General Assembly, and publish it online. Additionally, both the Department of Personnel and Administration (DPA) and HCPF must submit annual reports to the JBC on impacts of the 340B program on state medical programs beginning November 1, 2026.

Violations of the bill are a deceptive trade practice and subject to enforcement by the Attorney General.

Background

The 340B Drug Pricing Program is a federal program that requires drug manufacturers participating in Medicaid to provide outpatient drugs to covered entities at a discount. Covered entities include federally qualified health centers and nonprofit and private hospitals that serve a high percentage of low income patients. To participate in the 340B program, covered entities must register and comply with all program requirements administered by the federal Health Resources and Services Administration. In Colorado, an estimated 68 hospitals and 20 federally qualified health centers participate in the 340B program. There are currently no requirements on how covered entities must use savings or profits generated by the purchase of discounted 340B drugs, beyond the federal guidelines of using savings to expand and lower the cost of healthcare for low-income individuals.

State Revenue

Starting in FY 2025-26, the bill may increase state revenue from civil penalties and court filing fees by a minimal amount.

Civil Penalties

Under the Colorado Consumer Protection Act, a person committing a deceptive trade practice may be subject to a civil penalty of up to $20,000 for each violation. Additional penalties may be imposed for subsequent violations of a court order or injunction. This revenue is classified as a damage award and not subject to TABOR. Given the uncertainty about the number of cases that may be pursued by the Attorney General and district attorneys, as well as the wide range in potential penalty amounts, the fiscal note cannot estimate the potential impact of these civil penalties.

Filing Fees

The bill may increase revenue to the Judicial Department from an increase in civil case filings. Revenue from filing fees is subject to TABOR.

State Expenditures

The bill increases state expenditures in the HCPF by $44,000 beginning in FY 2026-27. These costs, paid equally by Healthcare Affordability and Sustainability Cash Fund and federal funds, are summarized in Table 2 and discussed below. The bill also minimally affects workload in the Department of Law, Judicial Department, and DPA.

Table 2
State Expenditures
Department of Health Care Policy and Financing

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	$0	$28,184
Operating Expenses	$0	$640
Capital Outlay Costs	$0	$6,670
Centrally Appropriated Costs	$0	$8,832
Total Costs	**$0**	**$44,326**
Total FTE	**0.0 FTE**	**0.5 FTE**

Department of Health Care Policy and Financing

Beginning in FY 2026-27, HCPF requires 0.5 FTE to aggregate and report on 340B program data provided by nonprofit hospitals and to report annually on the impacts of the program on Medicaid to the JBC. Standard operating expenses and capital outlay costs are included.

Department of Law

Beginning in FY 2025-26, workload in the Department of Law will minimally increase to the extent that deceptive trade practice complaints are filed. The department will review complaints under the bill and prioritize investigations as necessary within the overall number of deceptive trade practice complaints and available resources.

Judicial Department

Beginning in FY 2025-26, the trial courts in the Judicial Department may have an increase in cases filed under the Colorado Consumer Protection Act from the addition of a new deceptive trade practice. It is assumed that nonprofit hospitals will abide by the law and that any violation of the legislation will result in minimal number of new cases. The fiscal note assumes that this can be accomplished within existing resources and that no change in appropriations is required.

Department of Personnel and Administration

Beginning in FY 2026-27, workload will minimally increase for the DPA to report on the impacts of 340B program on state health care plans. This can be accomplished within existing resources.

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 may include employee insurance, supplemental employee retirement payments, leased space, and indirect cost assessments, are shown in the expenditure table(s) above.

Effective Date

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

State and Local Government Contacts

District Attorneys	Law
Health Care Policy and Financing	Personnel
Higher Education	Public Health and Environment
Human Services	Regulatory Agencies