



## Legislative Council Staff

*Nonpartisan Services for Colorado's Legislature*

# FISCAL NOTE

<b>Drafting Number:</b>	LLS 19-0082	<b>Date:</b>	March 18, 2019
<b>Prime Sponsors:</b>	Rep. Roberts Sen. Donovan; Priola	<b>Bill Status:</b>	House Health & Insurance
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<b>Bill Topic:</b>	REDUCE INSULIN PRICES
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<b>Summary of Fiscal Impact:</b>	<input type="checkbox"/> State Revenue <input checked="" type="checkbox"/> State Expenditure <input type="checkbox"/> State Diversion	<input type="checkbox"/> TABOR Refund <input type="checkbox"/> Local Government <input type="checkbox"/> Statutory Public Entity
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This bill requires an insurance carrier to cap the deductible payment, copayment, or coinsurance amount imposed on a covered person for prescription insulin drugs. The bill will increase state expenditures and General Fund diversions on an ongoing basis.

<b>Appropriation Summary:</b>	For FY 2019-20, the bill requires an appropriation of \$26,054 to the Department of Regulatory Agencies.
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<b>Fiscal Note Status:</b>	This fiscal note reflects the introduced bill.
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**Table 1**  
**State Fiscal Impacts Under HB 19-1216**

		<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>Revenue</b>		-	-
<b>Expenditures</b>	Cash Funds	\$26,054	\$13,027
	Centrally Appropriated	\$6,024	\$3,013
	<b>Total</b>	<b>\$32,078</b>	<b>\$16,040</b>
	<b>Total FTE</b>	<b>0.4 FTE</b>	<b>0.2 FTE</b>
<b>DivERSIONS</b>	General Fund	(\$32,078)	(\$16,040)
	Cash Funds	\$32,078	\$16,040
	<b>Total</b>	<b>\$0</b>	<b>\$0</b>
<b>TABOR Refund</b>		-	-

## **Summary of Legislation**

This bill requires an insurance carrier to cap the deductible payment, copayment, or coinsurance amount imposed on a covered person for prescription insulin drugs by an amount equal to the greater of:

- 51 percent of the total rebates received by the carrier per prescription insulin drug including price protection rebates; or
- an amount that ensures cost sharing will not exceed 125 percent of the carrier's cost for the prescription insulin drug

The maximum out-of-pocket cost for the covered person is \$100 per one-month supply. Insurance carriers must keep drug rebate information confidential.

**Commissioner of Insurance.** The Commissioner of Insurance in the Department of Regulatory Agencies (DORA) is permitted to use his or her current enforcement powers to obtain carrier compliance with the bill's requirements.

**Department of Law.** The Department of Law must investigate the pricing of prescription insulin drugs to ensure adequate consumer price protections and submit a report of its findings on whether additional measures are needed to protect consumers to the Governor, the Commissioner of Insurance, and the Judiciary Committees of the General Assembly by November 1, 2020. For its investigation, the Department of Law must compile and analyze information from companies engaged in the manufacturing and sale of prescription insulin drugs. The department may request the court to order subpoenas for this information.

## **State Diversions**

The bill diverts \$32,078 from the General Fund in FY 2019-20 and \$16,040 in FY 2020-21 and ongoing. This revenue diversion occurs because the bill increases costs in the Division of Insurance (DOI) in DORA, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

## **State Expenditures**

The bill will increase state cash fund expenditures in the DOI by \$32,078 in FY 2019-20 and \$16,040 in FY 2020-21 and ongoing, as shown in Table 2, paid from the DOI Cash Fund. The bill also increases workload in the Department of Law from FY 2019-20 to FY 2020-21, and may increase state health insurance costs administered by the Department of Personnel and Administration (DPA). These impacts are discussed further below.

**Table 2**  
**Expenditures Under HB 19-1216**

	<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>Department of Regulatory Agencies</b>		
Personal Services	\$26,054	\$13,027
Centrally Appropriated Costs*	\$6,024	\$3,013
<b>Total Cost</b>	<b>\$32,078</b>	<b>\$16,040</b>
<b>Total FTE</b>	<b>0.4 FTE</b>	<b>0.2 FTE</b>

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

**Department of Regulatory Agencies.** The DOI requires additional time from a Rate and Financial Analyst to manage inquiries and complaints and an additional form review.

- **Inquiries and complaints.** Beginning in FY 2019-20, the DOI requires 0.2 FTE to manage inquiries and complaints. Approximately 300,000 Coloradans have been diagnosed with Type 1 or Type 2 diabetes. The fiscal note assumes that approximately 15 percent of this population is insulin dependent, or 45,000 people. The DOI regulates approximately one-third of insurers, so it is assumed that 15,000 people in plans regulated by the DOI are insulin-dependent. Assuming 1 percent of these individuals make an inquiry with DOI, this represents 150 additional inquiries requiring 0.5 hour each of staff time, one-quarter of which are assumed to become complaints requiring 6 hours each of staff time to resolve.
- **Rates and forms.** In FY 2019-20 only, 0.2 FTE is required to perform an additional rate and form review of all health coverage filings to ensure compliance with the requirements of this bill.

**Department of Law.** The Department of Law's consumer protection division will have a workload increase to investigate the U.S. companies that manufacture and sell insulin, which are comprised of Eli Lilly and Company, Novo Nordisk, and Sanofi. The fiscal note assumes these three companies will be the primary focus of the investigation, analysis, and final report, and that the department can accommodate this work within the existing appropriations of its consumer protection division.

**Department of Personnel and Administration.** By limiting potential cost-sharing for prescription insulin drugs, the bill may increase premium costs of the state's health insurance plans. Plan costs are based on market conditions. Any tangible impacts will be addressed through the total compensation analysis included in the annual budget process.

**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 \$6,024 in FY 2019-20 and \$3,013 in FY 2020-21.

### **Effective Date**

The bill takes effect August 2, 2019, if the General Assembly adjourns on May 3, 2019, as scheduled, and no referendum petition is filed. It applies to health coverage plans issued or renewed on or after January 1, 2020.

## **State Appropriations**

For FY 2019-20, the bill requires an appropriation of \$26,054 from the Division of Insurance Cash Fund to the Division of Insurance in the Department of Regulatory Agencies and an allocation of 0.4 FTE.

## **State and Local Government Contacts**

Governor Personnel	Health Care Policy and Financing Public Health and Environment	Law Regulatory Agencies
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