



**Colorado
Legislative
Council
Staff**

SB17-203

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0852

Date: March 14, 2017

Prime Sponsor(s): Sen. Todd

Bill Status: Senate Business

Rep. Covarrubias; Kennedy

Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: PROHIBIT CARRIER FROM REQUIRING ALTERNATIVE DRUG

| Fiscal Impact Summary | FY 2017-2018 | FY 2018-2019 |
|---|--|--------------|
| State Revenue | | |
| State Expenditures | Potential increase. See State Expenditures section. | |
| Appropriation Required: None. | | |
| Future Year Impacts: Minimal potential increase in state expenditures. | | |

Summary of Legislation

This bill prohibits health insurance carriers from requiring a covered person to undergo "step therapy" when being treated for a terminal condition or if the covered person has tried a step-therapy-required drug under a health benefit plan and the drug was discontinued by the manufacturer. A carrier that uses step therapy must have an override process by which a health care provider can demonstrate that the carrier's preferred drug is contraindicated or will likely cause an adverse reaction that will harm the covered person.

The bill defines "step therapy" as a protocol that requires a covered person to use a prescription drug, or sequence of prescription drugs, other than the drug recommended by the covered persons' health care provider, prior to the carrier providing coverage for the recommended drug.

State Expenditures

The bill may affect state workload and expenditures in two ways. First, the Division of Insurance in the Department of Regulatory Agencies may have a one-time increase in workload to incorporate the changes in the bill into its policies and to communicate the changes to insurance carriers. This work is expected to require a minimal amount of staff time.

Second, to the extent that the prohibition on step therapy results in more expensive prescription drugs being paid for by health benefit plans, state agencies' costs for employee health insurance may increase. Because state employee health insurance contributions are based upon prevailing market rates, with costs shared between the employer and employee, this bill is not

expected to affect the state's share of employee health insurance premiums until FY 2018-19. Because insurance rates are influenced by a number of variables, the exact effect of this bill cannot be determined. Any increase caused by the bill will be addressed through the total compensation analysis included in the annual budget process.

Local Government Impact

Similar to the state impact discussed above, local governments offering health insurance coverage to their employees may experience an increase in costs. To the extent that the prohibition on step therapy increases insurance premiums, local government costs for employee health insurance may increase. Health insurance premiums depend on a variety of factors and an exact estimate of any potential increase cannot be determined.

Effective Date

The bill takes effect September 1, 2017, assuming no referendum petition is filed.

State and Local Government Contacts

Health Care Policy and Financing
Personnel

Information Technology
Regulatory Agencies