



Legislative  
Council Staff

*Nonpartisan Services for Colorado's Legislature*

HB 20-1078

FINAL  
FISCAL NOTE

<b>Drafting Number:</b>	LLS 20-0021	<b>Date:</b>	September 22, 2020
<b>Prime Sponsors:</b>	Rep. Jaquez Lewis; Mullica Sen. Winter	<b>Bill Status:</b>	Signed into Law
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**Bill Topic:** PHARMACY BENEFIT MANAGEMENT FIRM CLAIMS PAYMENTS

**Summary of  
Fiscal Impact:**

- |   |  |
|---|--|
| <input type="checkbox"/> State Revenue                | <input type="checkbox"/> TABOR Refund                |
| <input checked="" type="checkbox"/> State Expenditure | <input checked="" type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer               | <input type="checkbox"/> Statutory Public Entity     |

The bill establishes requirements concerning rates paid by pharmacy benefit management firms to pharmacies. It may increase state expenditures on an ongoing basis.

**Appropriation  
Summary:**

No appropriation is required.

**Fiscal Note  
Status:**

The fiscal note reflects the enacted bill.

**Summary of Legislation**

The bill establishes certain requirements concerning the rates paid by pharmacy benefit management (PBM) firms to pharmacies. It applies to contracts between pharmacies and PBM firms in effect beginning January 1, 2021. Specifically, the bill states that a PBM firm:

- cannot reimburse a pharmacy any less than the firm reimburses any affiliate for the same services; and
- may not retroactively reduce payment on a clean claim after the point of sale except as the result of an audit.

Insurance carriers must annually audit contracted PBM firms for compliance. The Division of Insurance may promulgate rules to specify how insurance carriers and PBM firms are required to demonstrate compliance.

**State Expenditures**

The bill may increase costs and workload in multiple state agencies as described below.

**Department of Regulatory Agencies.** The State Board of Pharmacy and the Division of Professions and Occupations may experience an increase in workload for outreach and education related to the bill. The Division of Insurance will have an increase in workload to include monitoring of insurance carrier compliance with the audit requirement and possible enforcement actions. Any increase in workload can be accomplished within existing appropriations.

**State employee insurance.** To the extent that the bill increases costs for PBM firms contracted by the state for employee health insurance plans, state expenditures could increase. Any cost increase could contribute to higher insurance premiums, which would be shared by state agencies and employees. Because insurance rates are influenced by a number of variables, the impact of this bill on premiums is not estimated. Any increase caused by the bill will be addressed through the total compensation analysis included in the annual budget process.

### **Local Government**

Similar to state employee insurance, to the extent that premiums increase for local government insurance plans, cost increases will be shared by local governments and employees.

### **Effective Date**

The bill was signed into law by the Governor on April 1, 2020, and it took effect on September 14, 2020. It applies to contracts and agreements in effect beginning January 1, 2021.

### **State and Local Government Contacts**

Health Care Policy and Financing  
Public Health and Environment

Higher Education  
Regulatory Agencies

Law  
Personnel