SB12-065

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL FISCAL IMPACT

Drafting Number: LLS 12-0318
Prime Sponsor(s): Sen. Morse

Date: February 16, 2012
Bill Status: Senate Health and Human Services
Fiscal Analyst: Kirk Mlinek (303-866-4782)

TITLE: CONCERNING THE DEVELOPMENT OF A PRIOR AUTHORIZATION FORM TO BE USED BY HEALTH BENEFIT PLANS THAT COVER PRESCRIPTION DRUG BENEFITS.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures	Indeterminate — see State Expenditures section.	
FTE Position Change		
Effective Date: August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: See Local Government Impact section.		

Summary of Legislation

The bill requires the Commissioner of Insurance in the Department of Regulatory Agencies (DORA) to develop by July 1, 2013, by rule, a standard form for use in the prescription drug prior authorization process. Prior authorization is an extra step that some carriers require before they decide that they approve coverage of a patient's medicine.

Prescribing providers and health benefit plans are required to begin using the form on January 1, 2014. If a health benefit plan (carrier) fails to utilize or recognize the form, or fails to respond to a request for prior authorization within two business days, the request is deemed granted.

The bill requires that the form:

- not exceed two pages in length;
- be made electronically available by the Division of Insurance (division) and the carrier;
- can be completed electronically by the prescribing provider and be submitted electronically to the carrier; and
- be developed with input from interested parties at not less than one public meeting.

Every prescribing provider is required to use the standard form, and once approved by a health benefit plan prior authorizations are valid for 12 months.

State Expenditures

The bill will increase state expenditures in several ways, as described below.

Department of Personnel and Administration. Administrative costs for the state's fully-insured provider, Kaiser Permanente, will increase by $13,000 as a result of the bill. This fiscal note assumes that the increase to the state's self-insured administrator, United Health, will be the same. These total costs of approximately $26,000 will be charged to the state through the total health premium. As a result, no appropriation is called for relative to state premium adjustments as the state's share of these costs is established in the Long Bill, as recommended through the Joint Budget Committee's common policy decisions.

Costs to the state's self funded plan also could increase as a result of the bill's 48-hour default approval provision. It is not possible to estimate the frequency with which this provision will be invoked and, as a result, no estimate of these costs is included in the fiscal note.

Department of Regulatory Agencies. DORA is required to develop the new prior authorization form by rule. It is estimated that a person at the position of Rate Analyst IV will require 60 hours to conduct a stakeholder meeting and to complete the rule, less than the 80-hour threshold required before additional resources are requested. As a result, DORA will absorb the increase in workload within existing appropriations. Further, the fiscal note assumes that sufficient appropriations exist to pay the Department of Law for legal assistance required during the rule promulgation process.

Department of Health Care Policy and Financing (HCPF). The bill could drive increased expenditures in HCPF in two ways. The Children's Basic Health Plan (plan) is modeled after basic and standard insurance plans and can be affected by changes in insurance laws. The plan is a group insurance plan that offers health insurance coverage for low-income children 18 years of age or younger, and pregnant women 19 years of age or older. The plan includes prescription drug coverage. The bill will result in one-time costs to these insurers, but it is unknown whether these costs will be passed on to the state through rates.

Medicaid is governed by the Colorado Medical Assistance Act, not the insurance laws and regulations of Colorado. If significant deviation from statewide, standard protocols is viewed by providers as overly burdensome, there is a risk of reduced access to pharmaceuticals for Medicaid clients. In response, HCPF could opt to align Medicaid policy with the provisions of the bill. The costs of resulting changes to Medicaid-related systems (*e.g.*, electronic submission of requests for prior authorization) cannot be estimated until the prior authorization form has been completed.

HCPF will seek resources through the annual budget process if the two issues discussed above result in increased expenditures.

Local Government Impact

The fiscal impact of the bill on local governments mirrors that of the potential impact on the state. Expenditures for health plans at the local level could increase if health plan providers incur, and pass through, increased administrative costs, costs associated with the 48-hour default rule, and cost increases that could result from the 12-month validity period for approved prior authorizations.

Departments Contacted

Regulatory Agencies
Public Health and Environment
Personnel and Administration
Municipal League
Health Care Policy and Financing
Law
Colorado Counties