

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 13-0751

**Date:** February 15, 2013

**Prime Sponsor(s):** Rep. May  
Sen. Tochtrop

**Bill Status:** House Public Health Care and  
Human Services

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

**TITLE:** CONCERNING STANDARDS FOR THE AUDIT OF PHARMACIES.

<b>Fiscal Impact Summary</b>	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
<b>State Revenue</b>		
<b>State Expenditures</b>	See State Expenditures section.	
<b>FTE Position Change</b>		
<b>Effective Date:</b> August 7, 2013, assuming the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
<b>Appropriation Summary for FY 2013-2014:</b> None required.		
<b>Local Government Impact:</b> None.		

**Summary of Legislation**

The bill sets standards for pharmacy audits by pharmacy benefit managers, insurance carriers, and auditing entities acting on their behalf. Specifically, the bill requires pharmacy auditors to:

- give written notice prior to conducting an audit;
- conduct an audit in consultation with a licensed pharmacist when required;
- allow a pharmacy to resubmit a claim if an audit results in the dispute or denial of the claim and the time period for resubmission of the claim has not expired; and
- establish a written appeal process that allows pharmacies to appeal preliminary reports and any penalties or recoupments resulting from an audit.

In addition, pharmacy auditors are not allowed to:

- recoup funds from a pharmacy for clerical errors, unless the error resulted in financial harm to another entity; and
- use extrapolation or other similar statistical methods to calculate the amount of recoupment or penalties resulting from an audit.

Pharmacy audits may only cover the 24-month period prior to the submission of prescriptions to the pharmacy auditor. The bill also specifies the documents and evidence that may be used to validate prescriptions during an audit.

**State Expenditures**

The bill is not expected to have significant impact on costs in any state agencies. State agencies that operate pharmacies receiving payments from private health insurers (such as the Department of Human Services which has pharmacies at the Colorado mental health institutions) are currently subject to audit by pharmacy benefit managers, and any future audits will be conducted under the restrictions set forth in the bill. These restrictions generally reduce the likelihood and the amount of any penalties or recoveries made by pharmacy benefit managers for inappropriate prescriptions or charges. Any savings to state agencies are expected to be minimal and no adjustment in appropriations is required.

**Departments Contacted**

Regulatory Agencies  
Health Care Policy and Financing

Corrections  
Human Services