


Schedule 13

Department of Regulatory Agencies

Funding Request for The FY 2021-22 Budget Cycle

Request Title

NP-01 COE Program Financial Restructure

Dept. Approval By:  _____

10/29/20

Supplemental FY 2020-21

OSPB Approval By:  _____

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$0	\$0	\$0	\$9,299	\$0
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$0	\$0	\$0	\$9,299	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$0	\$0	\$0	\$9,299	\$0
01. Executive Director's Office and Administrative Services, (A) Executive Director's Office and Administrative Services, (1) Executive Director's Office and Administrative Services - Statewide Training	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$0	\$0	\$0	\$9,299	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data

Requires Legislation? NO

Type of Request? Department of Regulatory Agencies Non-Prioritized Request

Interagency Approval or Related Schedule 13s:

Impacts DPA

Schedule 13

Department of Regulatory Agencies

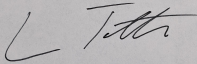
Funding Request for The FY 2021-22 Budget Cycle

Request Title

NP-02 Annual Fleet Vehicle Request

Dept. Approval By:  10/29/20 _____

Supplemental FY 2020-21

OSPB Approval By:  _____

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$238,619	\$0	\$238,619	\$44,516	\$0
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$238,619	\$0	\$238,619	\$44,516	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$238,619	\$0	\$238,619	\$44,516	\$0
01. Executive Director's Office and Administrative Services, (A) Executive Director's Office and Administrative Services, (1) Executive Director's Office and Administrative Services - Vehicle Lease Payments	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$238,619	\$0	\$238,619	\$44,516	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data

Requires Legislation? NO

Type of Request? Department of Regulatory Agencies Non-Prioritized Request

Interagency Approval or Related Schedule 13s:

Impacts DPA


Schedule 13

Department of Regulatory Agencies

Funding Request for The FY 2021-22 Budget Cycle

Request Title

NP-03 OIT_FY22 Budget Request Package

Dept. Approval By:  _____

10/29/20

Supplemental FY 2020-21

OSPB Approval By:  _____

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$3,503,452	\$0	\$3,666,033	(\$199,721)	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$181,776	\$0	\$188,183	(\$7,871)	\$0
	CF	\$3,321,676	\$0	\$3,477,850	(\$191,850)	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$3,503,452	\$0	\$3,666,033	(\$199,721)	\$0
01. Executive Director's Office and	FTE	0.0	0.0	0.0	0.0	0.0
Administrative Services,	GF	\$181,776	\$0	\$188,183	(\$7,871)	\$0
(A) Executive Director's Office and	CF	\$3,321,676	\$0	\$3,477,850	(\$191,850)	\$0
Administrative Services,	RF	\$0	\$0	\$0	\$0	\$0
(1) Executive Director's Office and	FF	\$0	\$0	\$0	\$0	\$0
Administrative Services - Payments to OIT						

Auxiliary Data

Requires Legislation? NO

Type of Request?

Department of Regulatory Agencies
Non-Prioritized Request

Interagency Approval or Related Schedule 13s:

Requires OIT Approval

Schedule 13

Department of Regulatory Agencies

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-01 Colorado Option Health Insurance

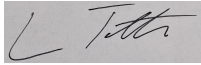
Dept. Approval By: _____



10/29/20

Supplemental FY 2020-21

OSPB Approval By: _____



Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$17,669,118	\$0	\$17,080,563	\$864,026	\$598,036
FTE		86.3	0.0	86.3	3.4	3.4
Total of All Line Items Impacted by Change Request	GF	\$163,625	\$0	\$163,625	\$0	\$0
	CF	\$17,367,950	\$0	\$16,779,395	\$864,026	\$598,036
	RF	\$60,115	\$0	\$60,115	\$0	\$0
	FF	\$77,428	\$0	\$77,428	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$10,678,899	\$0	\$10,085,159	\$212,000	\$212,000
01. Executive Director's Office and Administrative Services, (A) Executive Director's Office and Administrative Services, (1) Executive Director's Office and Administrative Services - Legal Services	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$163,625	\$0	\$163,625	\$0	\$0
	CF	\$10,377,731	\$0	\$9,783,991	\$212,000	\$212,000
	RF	\$60,115	\$0	\$60,115	\$0	\$0
	FF	\$77,428	\$0	\$77,428	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$6,990,219	\$0	\$6,995,404	\$652,026	\$386,036
	FTE	86.3	0.0	86.3	3.4	3.4
06. Division of Insurance, (A) Division of Insurance, (1)	GF	\$0	\$0	\$0	\$0	\$0
Division of Insurance - Personal Services	CF	\$6,990,219	\$0	\$6,995,404	\$652,026	\$386,036
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data

Requires Legislation? YES

Type of Request? Department of Regulatory Agencies
Prioritized Request

Interagency Approval or Related Schedule 13s: No Other Agency Impact



Department Priority: R-01
Request Detail: Colorado Option Health Insurance

Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$9,780,598	\$9,770,944	\$864,026	\$598,036
FTE	92.3	92.3	3.4	3.4
General Fund	\$0	\$0	\$0	\$0
Cash Funds	\$9,209,772	\$9,200,824	\$864,026	\$598,036
Reappropriated Funds	\$0	\$0	\$0	\$0
Federal Funds	\$570,826	\$570,120	\$0	\$0

Summary of Request

The Division of Insurance (Division) requests \$864,026 in FY 2021-22 and \$598,036 in FY 2022-23 to create a quality, affordable insurance product (the Colorado Option) for the individual and small group markets in order to improve access to health care for all Coloradans. The goals of the Colorado Option are to reduce premiums, provide consumer access to high value services, and provide Coloradans with choice in their coverage. The funds are for 3.4 FTE and consulting costs so that the Division can implement and ensure compliance with the Colorado Option. Costs would be supported by the Division of Insurance Cash Fund. This request would result in an 8.8% increase to the Division’s budget.

This request aligns with Step 4 of the Evidence Continuum. Although this specific model for expanding health insurance coverage is novel, there is a significant literature on the positive impact on health outcomes associated with being enrolled in health insurance.



Current Program:

In 2019, Colorado created a reinsurance program to reduce the cost of private health insurance for middle income Coloradans who do not have the option of affordable employer sponsored insurance. The reinsurance program successfully reduced premiums by just over 20% statewide in 2020 and will continue to save consumers nearly 21% on average in 2021, compared to what rates would be without reinsurance. However, for many Coloradans, health insurance remains unaffordable and, even for those who have coverage, high deductibles and out-of-pocket costs are a barrier to accessing care.

The Colorado Option would be a new, more affordable health insurance product available to Coloradans, and one of the first such programs in the country. In 2019, the legislature passed HB19-1004 directing the Division and the Department of Health Care Policy and Financing (HCPF) to develop a proposal for a public option. That report was submitted to the General Assembly in November, 2019. In that report, the agencies proposed to set hospital reimbursement rates and draw down federal funds through a Section 1332 ACA waiver to make coverage more affordable for insured, subsidized Coloradans as well as uninsured, unsubsidized Coloradans. According to an April 2020 analysis by Wakely, total enrollment in the individual market would increase by approximately 17,900 individuals, due to the addition of a premium wrap. This report estimates the average reduction in premiums to be 11.9% statewide, with reductions varying from 7.1% to 19.8% depending on the rating area.

During the 2020 legislative session, the legislature began consideration of a similar concept (HB20-1349). However, those discussions were postponed in light of the COVID-19 public health emergency. This proposal builds and expands on those discussions, considering the current economic climate and the on-going COVID-19 public health emergency, and would be structured to support affordable health care across all insurance markets.

Problem or Opportunity:

As of January 2019, an estimated 204,000 individuals received health insurance coverage in Colorado's individual market and another 375,000 Coloradans are estimated to be uninsured. It is highly likely the uninsured rate has increased as a result of the COVID-19 pandemic.

The COVID-19 pandemic has further highlighted the shortfalls of our health care system and has demonstrated that every Coloradan needs access to quality, affordable health care. The health of each of us depends on everyone else's ability to access the health care they need. During the COVID-19 pandemic, thousands of Coloradans have lost their jobs and many small businesses are struggling, making it difficult for them to be able to continue to offer coverage to their employees. Hundreds of businesses have sought accommodations from their carriers because they cannot afford their premiums. The Colorado Option would be an affordable and quality insurance option

available to Coloradans across the state. Particularly during the current pandemic, ensuring access to consistent, affordable coverage for Coloradans is critical, to ensure individuals can access health care and ensure public health in order to help our economy thrive.

The Division has taken steps to address the affordability of coverage, including implementation of the reinsurance program and using its existing rate review authority to ensure that rates are actuarially justified. Giving the state the ability to implement a Colorado Option builds on those successes and has the potential to provide affordable coverage across all insurance markets.

Proposed Solution:

The Division requests \$864,026 in FY 2021-22 and \$598,036 in FY 2022-23 to implement an affordable private health insurance option for the individual and small group markets. In implementing this solution, Colorado would be a national leader in creating an insurance product designed to provide consumers with affordable, high quality coverage.

Requested funding would be used for 3.4 FTE (two program managers, actuary, and rate analyst) to run the program and 1.1 FTE for legal support. In addition, consultant costs would be \$250,000, which includes \$150,000 for actuarial analyses necessary to support the parameters of the Colorado Option.

These resources would be utilized to implement statutory provisions regarding the offering of a new affordable health insurance product in Colorado, which would offer first dollar coverage for certain high value services. More specifically, the following work would be performed by requested staff:

- 2.0 FTE Program Managers: This includes one project director to oversee the implementation and day-to-day management of the program, and one project manager to assist the project director.
- 1.0 FTE Actuary: This position will assist the Program Managers with actuarial work required to review Colorado Option rates and ensure they are actuarially justified.
- 0.4 FTE Rate Analyst: 0.4 FTE of an RFA II will be required to provide ongoing rulemaking, evaluation, administrative and technical support.
- Consultant: Contract actuarial healthcare consulting support will be needed in order to provide support for the development of the Colorado Option and provide the actuarial analysis required for a 1332 waiver application.

This proposal would require the adoption of new statutes and may also impact existing statutes related to the design of health benefit plans. This funding request identifies resources needed to administer the program and are consistent with prior initiatives along similar lines.

Most importantly, this proposal presents an opportunity to leverage and draw down significant federal dollars to assist in making the Colorado Option affordable for consumers. According to the April 2020 Wakely report, it is estimated that the state could draw down approximately \$41.5 million in federal funds in 2022, upon federal approval of a 1332 waiver.

Although several states are exploring similar concepts, Washington is the only state to have moved forward. Washington will be offering a public option product for the first time in the 2021 plan year.

This proposal aligns with Step 4 on the Evidence Continuum. A landmark 2002 study from the Institute of Medicine found that providing health insurance coverage to uninsured adults would likely improve their health outcomes and reduce the risk of premature death.¹ Similarly, a systematic review of the literature highlighted studies, some using quasi-experimental designs that found consistently positive effects on health outcomes from health insurance coverage.²

Anticipated Outcomes:

If approved, and the legislation is passed, Coloradans will have a new, more affordable health insurance option. By drawing down federal funds, coverage will be more affordable for Coloradans who receive premium tax credits. By providing first dollar coverage for certain high value services, consumers will see greater value in their coverage. Particularly during the COVID-19 pandemic and the resulting economic crisis, affordable private insurance coverage is critically important to ensuring access to health care.

In concert with an approved 1332 waiver, the proposal will lead to a Colorado insurance product that is funded in the most fair and optimum way possible, without creating a burden on the State General Fund.

If this request is not approved, Coloradans who purchase private coverage would continue to face challenges accessing quality, affordable health coverage.

Assumptions and Calculations:

The Division estimates that it will require 3.4 FTE to oversee the implementation and ongoing management of the Colorado Option.

The Division estimates that it will need a 1.0 FTE Program Manager II (PD II) to oversee the implementation and day-to-day management. This position will serve as the lead on interactions with federal partners throughout the federal waiver process, as well as manage subsequent federal pass-through funding. This position will be responsible for managing two direct reports who will

¹ Institute of Medicine. *Care without Coverage: Too Little, Too Late*. Washington, DC: National Academy Press. 2002.

² McWilliams, JM. Health consequences of uninsurance among adults in the United States: recent evidence and implications. *Milbank Quarterly*. 2009; 87(2):443-494. See also <https://www.kff.org/report-section/the-uninsured-and-the-aca-a-primer-key-facts-about-health-insurance-and-the-uninsured-amidst-changes-to-the-affordable-care-act-how-does-lack-of-insurance-affect-access-to-care/>; <https://www.healthypeople.gov/2020/topics-objectives/topic/social-determinants-health/interventions-resources/access-to-health>; <https://www.ncbi.nlm.nih.gov/books/NBK220636/>; Soni et al. (2020). How Have ACA Insurance Expansions Affected Health Outcomes? Findings from the Literature. <https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.2019.01436>

support the program. The PD II will also provide general program oversight, represent the program externally to a variety of stakeholders, and manage compliance with federal reporting requirements and deadlines. It is anticipated that this work will require 1.0 FTE of a Program Manager II.

The Division estimates that it will need 1.0 FTE of a Project Manager II (PM II) to assist the Project Director with the implementation and day-to-day operation of the program. The Project Manager II will serve as the lead on interactions with participating carriers regarding rate and form filing for plans in this program, and ensure ongoing carrier and plan compliance with state and federal requirements. This position will have primary responsibility for form review, including marketing materials and consumer notices, and will assist actuarial staff with plan rate review as needed. It is anticipated that this work will require 1.0 FTE of a Project Manager II.

The Division estimates that it will need 1.0 FTE of an Actuary III (ACT III) to assist the PM II with the implementation and day-to-day operation of the Colorado Option. The ACT III will have primary responsibility for conducting the ongoing review of Colorado Option rates filed with the Division. The ACT III will also oversee carrier reporting and provide assistance with data collection and analysis as needed. It is anticipated that this work will require 1.0 FTE of an ACT III.

The Division estimates that it will need 0.4 FTE of an RFA II to provide ongoing rulemaking, evaluation, administrative and technical support.

The Division estimates that it will need approximately \$150,000 (375 hours x \$400 per hour) in actuarial consulting support, and \$100,000 (334 hours at \$300 per hour) in health care consulting support to support the development and submission of the federal waiver for this program and to develop the benefit design and requirements for the Colorado Option.

The Division also estimates that it will need attorney support for both the administration and support of the board, the extensive stakeholder engagement and rulemaking, and for support of Division enforcement efforts. This support is estimated at 2,000 hours annually at a cost of approximately \$212,000.

Expenditure Detail			FY 2021-22	FY 2022-23
<i>Personal Services:</i>				
Classification Title	Biweekly Salary	FTE		FTE
PROGRAM MANAGEMENT II	\$3,334	1.0	\$86,688	1.0
PERA			\$9,449	\$9,449
AED			\$4,334	\$4,334

Expenditure Detail		FY 2021-22		FY 2022-23	
SAED		\$4,334		\$4,334	
Medicare		\$1,257		\$1,257	
STD		\$147		\$147	
Health-Life-Dental		\$10,042		\$10,042	
Subtotal Position 1, 1.0 FTE		1.0	\$116,251	1.0	\$116,251
Classification Title	Biweekly Salary	FTE		FTE	
PROJECT MANAGER II	\$3,073	1.0	\$79,908	1.0	\$79,908
PERA			\$8,710		\$8,710
AED			\$3,995		\$3,995
SAED			\$3,995		\$3,995
Medicare			\$1,159		\$1,159
STD			\$136		\$136
Health-Life-Dental			\$10,042		\$10,042
Subtotal Position 2, 1.0 FTE		1.0	\$107,945	1.0	\$107,945
Classification Title	Biweekly Salary	FTE		FTE	
ACTUARY III	\$3,435	1.0	\$89,304	1.0	\$89,304
PERA			\$9,734		\$9,734
AED			\$4,465		\$4,465
SAED			\$4,465		\$4,465
Medicare			\$1,295		\$1,295
STD			\$152		\$152
Health-Life-Dental			\$10,042		\$10,042
Subtotal Position 3, 1.0 FTE		1.0	\$119,457	1.0	\$119,457
Classification Title	Biweekly Salary	FTE		FTE	
RATE/FINANCIAL ANALYST II	\$2,285	0.4	\$23,760	0.4	\$23,760
PERA			\$2,590		\$2,590

Expenditure Detail		FY 2021-22		FY 2022-23	
AED			\$1,188		\$1,188
SAED			\$1,188		\$1,188
Medicare			\$345		\$345
STD			\$40		\$40
Health-Life-Dental			\$10,042		\$10,042
Subtotal Position 4, 0.4 FTE		0.4	\$39,153	0.4	\$39,153
Subtotal Personal Services		3.4	\$382,806	3.4	\$382,806
Operating Expenses:					
			FTE		FTE
Regular FTE Operating Expenses	\$500	3.4	\$1,700	3.4	\$1,700
Telephone Expenses	\$450	3.4	\$1,530	3.4	\$1,530
PC, One-Time	\$1,230	3.4	\$4,182	-	\$0
Office Furniture, One-Time	\$3,473	3.4	\$11,808	-	\$0
Indirect Costs, if applicable			\$0		\$0
Leased Space, if applicable	\$6,600		\$0		\$0
Legal Services			\$212,000		\$212,000
Contract Actuarial			\$250,000		\$0
Subtotal Operating Expenses			\$481,220		\$215,230
<u>TOTAL REQUEST</u>		3.4	<u>\$864,026</u>	3.4	<u>\$598,036</u>
<i>General Fund:</i>					
<i>Cash funds:</i>		<i>3.4</i>	<i>\$864,026</i>	<i>3.4</i>	<i>\$598,036</i>
<i>Reappropriated Funds:</i>					
<i>Federal Funds:</i>					

Supplemental, 1331 Supplemental or Budget Amendment Criteria:

Not applicable.

Schedule 13

Department of Regulatory Agencies

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-02 Prescription Drug Affordability

Dept. Approval By:  10/29/20 _____

Supplemental FY 2020-21

OSPB Approval By:  _____

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$17,669,118	\$0	\$17,080,563	\$371,370	\$162,481
FTE		86.3	0.0	86.3	2.8	1.5
Total of All Line Items Impacted by Change Request	GF	\$163,625	\$0	\$163,625	\$0	\$0
	CF	\$17,367,950	\$0	\$16,779,395	\$371,370	\$162,481
	RF	\$60,115	\$0	\$60,115	\$0	\$0
	FF	\$77,428	\$0	\$77,428	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$10,678,899	\$0	\$10,085,159	\$20,254	\$0
01. Executive Director's Office and Administrative Services,	FTE	0.0	0.0	0.0	0.0	0.0
(A) Executive Director's Office and Administrative Services,	GF	\$163,625	\$0	\$163,625	\$0	\$0
(1) Executive Director's Office and Administrative Services -	CF	\$10,377,731	\$0	\$9,783,991	\$20,254	\$0
Legal Services	RF	\$60,115	\$0	\$60,115	\$0	\$0
	FF	\$77,428	\$0	\$77,428	\$0	\$0

Line Item Information	Fund	FY 2020-21	FY 2021-22		FY 2022-23	
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$6,990,219	\$0	\$6,995,404	\$351,116	\$162,481
	FTE	86.3	0.0	86.3	2.8	1.5
06. Division of Insurance, (A) Division of Insurance, (1)	GF	\$0	\$0	\$0	\$0	\$0
Division of Insurance - Personal Services	CF	\$6,990,219	\$0	\$6,995,404	\$351,116	\$162,481
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data

Requires Legislation? YES

Type of Request? Department of Regulatory Agencies
Prioritized Request

Interagency Approval or Related Schedule 13s: No Other Agency Impact



Department Priority: R-02
Request Detail: Prescription Drug Affordability

Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$9,780,598	\$9,770,944	\$371,370	\$162,481
FTE	92.3	92.3	2.8	1.5
General Fund	\$0	\$0	\$0	\$0
Cash Funds	\$9,209,772	\$9,200,824	\$371,370	\$162,481
Reappropriated Funds	\$0	\$0	\$0	\$0
Federal Funds	\$570,826	\$570,120	\$0	\$0

Summary of Request

To address the rising cost of prescription drugs, the Division of Insurance (Division) requests \$371,370 in FY 21-22 and \$162,481 in subsequent years to develop a program that creates transparency, accountability, and aims to reduce the costs of prescription drugs. This proposal creates the foundation for the state to take steps to make needed drugs more affordable and accessible to Colorado consumers. The funds are for 2.8 FTE and IT costs so that the Division can collect and analyze prescription drug data as well as develop and implement a program to lower the costs of prescription drugs. Costs would be supported by the Division Cash Fund. This request would result in a 3.8% increase to the Division’s budget.

This request aligns with Step 1 on the Evidence Continuum. Numerous states are pursuing initiatives related to prescription drug pricing transparency and containing prescription drug costs.

Current Program:

There is currently no existing program in Colorado to not only look holistically at prescription drug costs in Colorado, but also to implement strategies to control those costs so Coloradans can afford their needed medications. The intended outcome of this program is to make prescription drugs more affordable and available to all Coloradans.

Despite past attempts, the legislature has not passed legislation that addresses drug cost transparency and affordability for consumers. During the 2020 legislative session, multiple bills were introduced that would have required transparency and provided insight into costs across the entire supply chain.

Problem or Opportunity:

Rising prescription drug costs are financially straining states and consumers. In 2019, the Kaiser Family Foundation found that nearly 1 in 4 Americans who are taking medications are struggling to afford them. According to the 2017 Colorado Health Access Survey, over half a million Coloradans (570,000) did not fill a prescription because it cost too much. On a per capita basis, inflation-adjusted retail prescription drug spending in the U.S. increased from \$90 in 1960 to \$1,025 in 2017. On average, drug costs have made up over 15% of the premium Coloradans have paid in recent years.

Proposed Solution:

The proposed solution to the problem of high drug costs for Coloradans is to increase awareness of the costs of prescription drugs, provide data to the state about those costs, and allow the state to implement strategies to reduce those costs.

Similar to previous legislative efforts, the proposal would require entities in the prescription drug supply chain to provide actionable prescription drug data to the Division and would allow the Division to develop and implement strategies to address the cost of prescription drugs. HB 20-1160 is one example of a framework for the transparency elements of this proposal.

Several states, including California and Oregon, have adopted prescription drug price transparency legislation. As evidenced by [data from California](#), the transparency initiative elevates public awareness to rising drug prices and manufacturer reasons for those price increases. Several states have also begun to explore various strategies to reduce prescription drug costs for consumers, including drug importation, volume purchasing, drug affordability reviews, price gouging, and reference pricing. For example, Maryland, Maine, and New Hampshire have passed legislation to review the affordability of drugs, Pennsylvania has recently introduced legislation to consider reference pricing for certain drugs, New Mexico passed a bill to explore volume purchasing, and

California enacted legislation to allow the state to develop generic drugs. With the data that would be available under this proposal, Colorado could explore these and other concepts to address rising drug costs. As many of these ideas are now being implemented, the proposal falls on Step 1 of the OSPB evidence-continuum.

This proposal would require the adoption of new statutes on data to be collected and analyzed and strategies to address prescription drug costs. The proposal may also add new provisions to existing statutes if the bill contains a rebate pass through requirement or a new strategy to reduce prescription drug costs.

As data would be reported annually, the proposal requires ongoing resources for the Division. The Division anticipates the need for up to 2.8 FTE for data collection and analysis and for development of strategies related to reducing prescription drug costs. IT costs, to create a system to streamline and publish the reported data, would be approximately \$44,800.

The proposal would require coordination with the Department of Health Care Policy and Financing (HCPF) related to prescription drug costs. The Division of Professions & Occupations may also be impacted because of the impact on pharmacies. Depending on the strategies for reducing drug costs, the proposal could impact state agencies that purchase prescription drugs, including HCPF, the Department of Human Services, and the Department of Corrections.

Failure to act on prescription drug costs means Coloradans will continue to face challenges in accessing necessary medications. This is especially true now, during the COVID-19 pandemic. In fact, a recent [article](#) reports that drug prices have steadily increased during the pandemic. The cost burden of prescriptions already takes a toll on the financial wellbeing of Colorado families, employers, and the government, and results in people skipping their medications because they are unaffordable. In a recession, these high costs will be even more devastating for families.

This proposal aligns with Step 1 of the Evidence Continuum. Numerous states are pursuing initiatives to increase prescription drug pricing transparency and mechanisms to minimize the impact of high drug costs.

Anticipated Outcomes:

If approved, this proposal sets Colorado on the path to addressing the high cost of prescription drugs for Coloradans. With the data collected under this proposal, as well as other data sources, the Division could explore strategies to reduce drug costs. The State may consider the options being implemented in other states such as affordability review of prescription drugs, reference pricing, and pharmacy benefit manager requirements, or similar ideas, with the ultimate goal of making prescription drugs more affordable for consumers.

Assumptions and Calculations:

The transparency components of the proposal could require entities in the prescription drug supply chain to report information to the Division. The Division may post information received, and also analyze the data reported to determine the impact of prescription drug costs on health insurance premiums.

- 1.0 Actuary II (ACT II), to conduct the analysis of rate impacts from drug costs and the analysis of the data and trends received from the various entities, review and provide analysis on the data received;
- 1.0 Rate Financial Analyst IV (RFA IV) to provide supervision of the data collection and analysis, identify and collect additional needed information, review confidentiality assertions, promulgate regulations to implement this proposal, enforce data collection requirements, and levy fines for violations of statute and promulgated regulations,
- 0.5 Rate Financial Analyst IV (RFA IV) to review policies related to prescription drug costs and develop and implement strategies to reduce prescription drug costs;
- 0.3 Statistical Analyst II (SA II) to develop and oversee the various data collection processes, interface with reporting entities, manage the data collected, oversee web publication of specific information, oversee data reporting, and support Division data analysis and actuarial analysis and provide policy and administrative support.

The Division anticipates that it will need to develop and maintain an IT solution to automate the collection and posting of required drug information and to maintain updated registered purchaser information at a cost of \$44,800 in the first year, and \$4,480 in subsequent years.

There would also be legal support needed in connection with rulemaking processes and possibly with implementation of any prescription drug cost reduction strategies. The Division anticipates that approximately 190 hours of attorney support will be needed; attorney time is billed at \$106 per hour, so the estimated fiscal impact will be approximately \$20,254.

Expenditure Detail			FY 2021-22	FY 2022-23	
Personal Services:					
Classification Title	Biweekly Salary	FTE		FTE	
ACTUARY II	\$2,918	1.0	\$75,864	0.5	\$37,932
PERA			\$8,269		\$4,135
AED			\$3,793		\$1,897
SAED			\$3,793		\$1,897
Medicare			\$1,100		\$550
STD			\$129		\$64
Health-Life-Dental			\$10,042		\$10,042
Subtotal Position 1, 1.0 FTE		1.0	\$102,990	0.5	\$56,517
Classification Title	Biweekly Salary	FTE		FTE	
RATE/FINANCIAL ANALYST IV	\$2,832	1.5	\$110,448	0.5	\$36,816
PERA			\$12,039		\$4,013
AED			\$5,522		\$1,841
SAED			\$5,522		\$1,841
Medicare			\$1,601		\$534
STD			\$188		\$63
Health-Life-Dental			\$20,084		\$10,042
Subtotal Position 2, 1.5 FTE		1.5	\$155,404	0.5	\$55,150
Classification Title	Biweekly Salary	FTE		FTE	
STATISTICAL ANALYST II	\$2,189	0.3	\$17,075	0.5	\$28,458
PERA			\$1,861		\$3,102
AED			\$854		\$1,423
SAED			\$854		\$1,423
Medicare			\$248		\$413
STD			\$29		\$48
Health-Life-Dental			\$10,042		\$10,042
Subtotal Position 3, 0.3 FTE		0.3	\$30,963	0.5	\$44,909
Subtotal Personal Services		2.8	\$289,357	1.5	\$156,576
Operating Expenses:					
		FTE		FTE	
Regular FTE Operating	\$500	3.0	\$1,500	1.5	\$750
Telephone Expenses	\$450	3.0	\$1,350	1.5	\$675
PC, One-Time	\$1,230	3.0	\$3,690	-	\$0
Office Furniture, One-Time	\$3,473	3.0	\$10,419	-	\$0
Indirect Costs, if applicable			\$0		\$0
Leased Space, if applicable	\$6,600		\$0		\$0
Legal Services @ 190 hours			\$20,254		
IT system costs			\$44,800		\$4,480
Subtotal Operating Expenses			\$82,013		\$5,905
TOTAL REQUEST		2.8	\$371,370	1.5	\$162,481
<i>General Fund:</i>					
<i>Cash funds:</i>					
		2.8	\$371,370	1.5	\$162,481
<i>Reappropriated Funds:</i>					
<i>Federal Funds:</i>					

Supplemental, 1331 Supplemental or Budget Amendment Criteria:

If applicable, briefly describe supplemental or budget amendment criteria this request meets.