



**Colorado  
Legislative  
Council  
Staff**

**Initiative # 120**

**INITIAL FISCAL  
IMPACT STATEMENT**

**Date:** February 6, 2018

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

**LCS TITLE:** TRANSPARENCY IN PRESCRIPTION DRUG PRICES

<b>Fiscal Impact Summary</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b>State Revenue</b>		<b><u>less than \$20,000</u></b>
General Fund		less than 20,000
<b>State Expenditures</b>	<b><u>\$7,419</u></b>	<b><u>\$17,486</u></b>
Cash Funds	7,419	17,486

**Note:** This *initial* fiscal impact estimate has been prepared for the Title Board. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the Blue Book Voter Guide if new information becomes available.

**Summary of Measure**

Initiative #120 requires pharmacies to disclosure price information to consumers. Specifically, every pharmacy is required to publish a list of its retail drug prices at its physical location and on its website. The information must be updated promptly when prices change, and the pharmacy must maintain a record of all changes to its price list. The State Board of Pharmacy in the Department of Regulatory Agencies (DORA) is required to establish rules on price disclosures by pharmacies by April 30, 2019. If the state board determines that a pharmacy does not comply with the requirements of the measure, it may suspend or revoke the license of the pharmacy, or impose a civil penalty up to \$50,000, with an additional fine imposed for each day of continued noncompliance. Fine revenue is deposited into the General Fund.

**State Revenue**

Initiative #120 potentially increases General Fund revenue by up to \$20,000 per year beginning in FY 2019-20. This revenue is from civil fines levied against pharmacies. Because the State Board of Pharmacy has discretion in the amount of any fine imposed, the exact revenue impact cannot be estimated. Overall, a high level of compliance is assumed, so fine revenue is expected to be less than \$20,000 per year. Based on the rule-making deadlines in the measure and assuming a period for pharmacies to come into compliance, fine revenue is not expected prior to the start of FY 2019-20.

**State Expenditures**

The measure increases costs in DORA by \$7,419 and 0.1 FTE in FY 2018-19 and \$17,486 and 0.2 FTE in FY 2019-20. It may also increase workload in the Department of Personnel and Administration and the Judicial Department. These impacts are discussed below.

**Department of Regulatory Agencies.** DORA is required to establish rules for disclosures by pharmacies and may take disciplinary action against pharmacies that do not comply with the measure. Generally, it is assumed that outreach with pharmacies will be conducted within existing communication channels by staff in the Division of Professions and Occupations. In order to respond to consumer inquiries and complaints, the division will require additional staff and have costs of \$7,419 and 0.1 FTE in FY 2018-19, and \$17,486 and 0.2 FTE in FY 2019-20. Costs for staff are prorated in the first year to reflect a start date of February 1, 2019.

**Office of Administrative Courts and trial courts.** The measure may potentially increase workload for the Office of Administrative Courts in the Department of Personnel and Administration and the trial courts in the Judicial Department in the event pharmacies challenge any enforcement action against them for noncompliance with the measure. Assuming a high level of compliance, the impact on the Office of Administrative Courts and the trial courts is likely minimal and can be accomplished within existing appropriations.

## **Economic Impact**

By promoting greater transparency in prescription drug prices, Initiative #120 may help consumers more effectively spend their health care dollars and could promote greater price competition among pharmacies, which over the long term could lead to lower prescription drug costs for Coloradans. At the same time, savings to consumers may reduce revenue to pharmacies.

## **Effective Date**

The measure takes effect on January 1, 2019, if approved by voters at the 2018 general election.

## **State and Local Government Contacts**

Corrections	Counties	Health Care Policy and Financing
Higher Education	Human Services	Information Technology
Judicial	Law	Municipalities
Personnel	Regulatory Agencies	Public Health and Environment

## **Abstract of Initiative 120: TRANSPARENCY IN PRESCRIPTION DRUG PRICES**

**This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of February 5, 2018, identifies the following impacts:**

The abstract includes estimates of the fiscal impact of the initiative. If this initiative is to be placed on the ballot, Legislative Council Staff will prepare new estimates as part of a fiscal impact statement, which includes an abstract of that information. All fiscal impact statements are available at [www.ColoradoBlueBook.com](http://www.ColoradoBlueBook.com) and the abstract will be included in the ballot information booklet that is prepared for the initiative.

**State expenditures.** Initiative #120 requires pharmacies to disclose prescription drug prices to consumers. The Department of Regulatory Agencies must establish rules and take action to implement the measure's disclosure requirements, which will increase state expenditures by \$7,419 and 0.1 FTE in FY 2018-19 and \$17,486 and 0.2 FTE in FY 2019-20. It may also increase workload for the Office of Administrative Courts in the Department of Personnel and Administration and the trial courts in the Judicial Department.

**State revenue.** Initiative #120 allows fines to be levied on pharmacies that do not comply with its disclosure requirements. This potentially increases state revenue from fines by up to \$20,000 per year beginning in FY 2019-20.

**Economic impact.** By promoting greater transparency in prescription drug prices, Initiative #120 may help consumers more effectively spend their health care dollars and could promote greater price competition among pharmacies, which over the long term could lead to lower prescription drug costs for Coloradans. At the same time, savings to consumers may reduce revenue to pharmacies.