

**FINAL
FISCAL NOTE**

Drafting Number: LLS 13-0751

Date: May 23, 2013

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

Bill Status: Signed into Law

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TITLE: CONCERNING STANDARDS FOR THE AUDIT OF PHARMACIES.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures	See State Expenditures section.	
FTE Position Change		
Effective Date: The bill was signed into law by the Governor on April 8, 2013, and takes effect August 7, 2013, assuming no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: 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 produce additional claims documentation if an audit results in the dispute or denial of a claim; 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