



END OF SESSION — HF 524 — MEDICAL CANNABIDIOL

Description: [House File 524](#) requires the Board of Pharmacy to adopt emergency rules if the U.S. Food and Drug Administration reclassifies any cannabidiol investigational products, allows the Board of Medicine to share Prescription Monitoring Program (PMP) data with any state, and establishes the Medical Cannabidiol Act.

Background: Currently, the PMP is only available to contiguous states and Kansas. Iowa Code chapter [124D](#), the Medical Cannabidiol Act of 2014, will sunset July 1, 2017.

Assumptions:

- Of the Iowa residents with eligible debilitating medical conditions as defined in the Act, an estimated 1.7% (6,022) per year may apply for a medical cannabidiol registration card. Additionally, an estimated 359 caregivers will apply for cards.
- The timing and size of the workload for processing registration cards is unknown. Medical cannabidiol will not be available for purchase in Iowa until December 2018, and patients still need to discuss the option with their doctors, so applications are assumed to be, at most, 25.0% of the estimated total application pool in the first year. However, the Act also includes a provision for the Department of Public Health (DPH) to license two out-of-state medical cannabidiol dispensaries from a bordering state by December 1, 2017. Presently, no bordering state has laws that permit dispensaries to be licensed in other states.
- The DPH reports that under the current Medical Cannabidiol Program, it takes 45 to 60 minutes to process a registration card application. The Department of Transportation incurs an expense of \$10 per card issued.
- The Department of Public Safety (DPS) charges \$15 for each State background check performed on eligible patients and caregivers.
- The Act sets a \$100 fee for the medical cannabidiol registration card. If the patient attests to receiving Social Security Disability benefits or Supplemental Security Insurance payments, or is enrolled in Medicaid, the fee is \$25. An estimated 41.7% of applicants will qualify for the reduced fee. The caregiver card application fee is \$25.
- It is unknown how many business entities will apply to become licensed medical cannabidiol manufacturers and medical cannabidiol dispensaries. The application fee is \$7,500 for manufacturers and \$5,000 for dispensaries. Comparisons to other states are difficult to determine due to provisions allowing patients to grow their own cannabidiol plants, or unrestricted cultivation and production. Generally, other states have experienced many applicants per limited medical cannabidiol manufacturing and dispensary license. It is assumed there will be four initial manufacturer applications and 10 initial dispensary applications. Only successful licensees will apply in the second year. Application fees will not be charged by the DPH for renewal licenses.
- The DPH will require staff and funding to implement and administer the Program before there is sufficient fee revenue available to sustain the Program. There will also be costs associated with providing promotional materials and education to health care providers; processing applications; confidential database development, updates, and maintenance for patients, manufacturers, and dispensaries; confidential database development for the medical cannabidiol inventory and delivery tracking system; drug formulary development; board administration; and oversight. The DPH will have some discretion on how to implement some of these items.
- Based on the licensing timelines in the Act, manufacturer application fees will probably not be submitted until sometime in October 2017, and dispensary fees will probably not be submitted until sometime in January 2018.
- The DPH will assess the manufacturers and dispensaries appropriate fees associated with the costs of regulation, inspection, and the salaries for two agents of the Division of Criminal Investigation (DCI)

of the DPS for inspection. These fees are to be established by administrative rule and will not be implemented until FY 2019.

- The State Hygienic Laboratory will contract with a manufacturer for the testing of medical cannabidiol for content, contamination, and consistency. The manufacturer will pay the cost of laboratory testing, but the hygienic lab will incur costs associated with developing the testing methodology before it begins charging a fee for testing products.
- The DPS will need to supply the DCI agents required by the Act with the usual amount of support costs that are not provided for by the fees. The FY 2018 costs of the agents' salaries will not be covered.
- The Chronic Conditions General Fund appropriation includes \$22,100 for the current Program.

Fiscal Impact: The following table outlines the estimated budget of the Medical Cannabidiol Program.

Proposed Budget for the Medical Cannabidiol Program		
	<u>FY 2018</u>	<u>FY 2019</u>
Revenue		
General Fund Appropriation	\$ 22,100	\$ 22,100
Card Application Fees	105,750	423,000
Manufacturer and Dispenser Fees	80,000	781,000
Total Revenue	<u>\$ 207,850</u>	<u>\$ 1,226,100</u>
Expenditures		
<u>Department of Public Health</u>		
Salary	\$ 259,000	\$ 327,000
Support & Other Costs	78,000	53,000
Confidential Databases	860,000	312,000
Total Department of Public Health	\$ 1,197,000	\$ 692,000
<u>Department of Transportation</u>		
Card Issuance	\$ 16,000	\$ 64,000
<u>Department of Public Safety</u>		
Card Background Checks	\$ 24,000	\$ 96,000
Salary	128,000	180,000
Support & Other Costs	86,000	15,000
Total Department of Public Safety	\$ 238,000	\$ 291,000
<u>Board of Regents</u>		
State Hygienic Lab Testing Methodology Development	\$ 100,000	\$ 0
Total Expenditures	<u>\$ 1,551,000</u>	<u>\$ 1,047,000</u>
Net Impact	<u>\$ -1,343,150</u>	<u>\$ 179,100</u>
Full-Time Equivalent (FTEs) Positions Needed	6.0	6.0

Due to the delay in fee revenue, initial work associated with reviewing licensing, writing rules, developing databases, development of drug formularies, the providing of education and promotional materials to medical professionals and patients, costs for the DPS not covered by fees, and the testing of methodology development, the first-year initial funding needs are estimated at \$1.5 million over the current appropriation. The second year of the Program may be fee sufficient if it

launches. [House File 653](#) (FY 2018 Health and Human Services Appropriations Act) contained \$22,100 from the General Fund for the continuation of the current Program.

Department Operational Needs	
	FY 2018
Department of Public Health	\$ 1,174,900
Department of Transportation	0
Department of Public Safety	214,000
Board of Regents	100,000
Total Need	\$ 1,488,900

Minority Impact: This Act creates new penalties for possessing or using medical cannabidiol in violation of new Iowa Code chapter 124E. Since these would be new crimes, there is no historical data and no minority impact can be determined. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Minority Impact Memo](#), dated January 30, 2017, for information related to minorities in the criminal justice system.

Correctional Impact: The correctional impact of the Act cannot be estimated because the Act creates new penalties for crimes of possessing or using medical cannabidiol in violation of new Iowa Code chapter 124E. There is no data to provide a correctional impact projection. The table below shows estimates for sentencing to State prison, parole, probation, or Community-Based Corrections residential facilities; length of stay (LOS) under those supervisions; and supervision marginal costs per day for convictions of Class B, C, and D felonies, aggravated misdemeanors, serious misdemeanors, and simple misdemeanors. Refer to the LSA memo addressed to the General Assembly, [Correctional Impact Memo](#), dated January 30, 2017, for information related to the correctional system.

Sentencing Estimates and Length of Stay

	Percent to Prison	Avg LOS Prison (months)	FY 16 Marginal Cost/Day Prison	Avg LOS Parole (months)	Percent to Probation	Avg LOS Probation (months)	FY 16 Avg Cost/Day Parole & Probation	Percent to CBC	FY 16 Marginal Cost/Day CBC	Percent to County Jail	Avg LOS County Jail (days)	Marginal Cost/Day Jail
Class B Felony (Non-Persons)	86.0%	33.5	\$18.51	33.4	29.1%	34.2	\$4.59	6.0%	\$10.28	56.0%	N/A	\$15.00
Class C Felony (Non-Persons)	75.0%	19.5	\$18.51	19.4	65.0%	34.9	\$4.59	12.0%	\$10.28	25.0%	N/A	\$15.00
Class D Felony (Non-Persons)	74.0%	11.7	\$18.51	13.0	67.0%	31.6	\$4.59	11.0%	\$10.28	27.0%	N/A	\$15.00
Aggrav Misd (Non-Persons)	20.0%	7.0	\$18.51	6.2	33.0%	19.8	\$4.59	2.0%	\$10.28	39.0%	27	\$15.00
Serious Misd (Non-Persons)	2.0%	5.9	\$18.51	N/A	60.0%	16.1	\$4.59	1.0%	\$10.28	72.0%	14	\$15.00
Simple Misd (Non-Persons)	N/A	N/A	\$18.51	N/A	N/A	N/A	\$4.59	N/A	\$10.28	N/A	6	\$15.00

Correctional Fiscal Impact: The correctional fiscal impact for the new violations cannot be estimated because the number of possible convictions cannot be estimated. The State’s cost for one conviction under the Act would range from:

- \$9,500 to \$33,700 for a Class B Felony.
- \$7,500 to \$18,600 for a Class C Felony.
- \$6,300 to \$12,300 for a Class D Felony.
- \$3,100 to \$7,000 for an aggravated misdemeanor.
- \$250 to \$4,200 for a serious misdemeanor.
- \$30 to \$330 for a simple misdemeanor.

Enactment Date: The Act was approved by the General Assembly on April 21, 2017, and was signed by the Governor on May 12, 2017.

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