

Governor's FY 2017 Budget: Articles

Staff Presentation to the House Finance
Committee
March 29, 2016

Introduction

- Article 14 – Medical Marijuana Restructuring

History

- National Academy of Sciences' Institute of Medicine March 1999 study on efficacy of marijuana
 - Active ingredients found beneficial in treating severe medical conditions
 - Chronic and/or debilitating pain
 - Severe nausea
 - Severe and/or unintentional weight loss (wasting syndrome)
 - Neurological disorders

History – Prior Adopters

State	Year	How Established
California	1996	Popular vote
Alaska	1998	Popular vote
Oregon	1998	Popular vote
Washington	1998	Popular vote
Washington, D.C.	1998	Popular vote
Maine	1999	Popular vote
Hawaii	2000	Legislative Action
Nevada	2000	Constitutional Amendment
Colorado	2001	Constitutional Amendment
Montana	2004	Legislative Action
Vermont	2004	Legislative Action

History – Rhode Island Program

- 2005 Assembly passed legislation to create medical marijuana program
 - Vetoed by Governor Carcieri
 - Veto overridden first day of 2006 session
- Original law had sunset of June 30, 2007
 - Made permanent by 2007 Assembly
- Administered by Department of Health
 - No specific staff or funds authorized

History – Since 2006

State	Year	How Established
New Mexico	2007	Legislative Action
Michigan	2008	Popular Vote
New Jersey	2010	Legislative Action
Arizona	2010	Popular Vote
Delaware	2011	Legislative Action
Connecticut	2012	Legislative Action
Massachusetts	2012	Legislative Action
Illinois	2013	Legislative Action
New Hampshire	2013	Legislative Action
Maryland	2014	Legislative Action
Minnesota	2014	Legislative Action
New York	2014	Legislative Action

Qualifying Diseases and/or Symptoms in RI

Patients Diagnosed With:	Patients Experiencing Following Symptoms :
Cancer	Severe nausea
Human Immunodeficiency Virus (HIV)	Wasting Syndrome
Acquired Immune Deficiency Syndrome (AIDS)	Severe, debilitating chronic pain
Glaucoma	Severe muscle spasms
Alzheimer's Disease	Seizures (not limited to epilepsy)
Hepatitis C	

Efficacy of Treatment

- Amount a patient needs for relief varies
 - Recommendation from physician does not include strength of drug, amount, or frequency of doses
- Amount allowed per patient varies by state and range from 1 ounce to 16 ounces
- RI Patients allowed up to 2.5 ounces of useable product every two weeks

Definitions

- Endocannabinoid system – receptors primarily located in brain and central nervous system
 - Involved in multiple physiological processes
 - Appetite, pain sensation, mood, and memory
- Cannabinoid - class of chemical compounds that act on receptors in cells that repress neurotransmitter release in the brain

Definitions

- THC (Tetrahydrocannabinol) - principal psychoactive constituent of marijuana
 - Often used to treat wasting syndrome as well as severe nausea and vomiting
- CBD (Cannabidiol) – non-psychoactive constituent of marijuana
 - Often used to relieve convulsions, inflammation, anxiety, and nausea

Definitions - Statutory

- Mature plants – flowers or buds easily observable to naked/unaided eye
- Seedling– no flowers or buds easily observable to naked/unaided eye
- Un-useable plant matter - Seeds, stalks, seedlings, and/or roots

RI Patient Process

Step 1

Doctor recommends treatment

- Can be made by physician from RI, MA, or CT*

Step 2

Application to Dept. of Health

- Application includes:
 - DOB
 - Address/Proof of Residency
 - Non-refundable fee (\$100 or \$25 for Medicaid, SSI, Vets' Disability)

Step 3

Patient selects method(s)

- Self-grow
- Human Caregiver(s)
 - Up to two
- Compassion Center
 - Must be one of two caregivers

*MA & CT physicians permitted by 2009 Assembly

RI Patient Process

- Approved patients receive ID card
 - Registration renewed biennially
 - Originally annual renewal – changed by 2007 Assembly
 - ID card shows only picture and random identification number
 - Originally included patient personal information on card – changed by 2007 Assembly

RI Patient/Caregiver Process

- Human caregiver may be designated at same time as patient application to Department of Health
 - Date of birth – must be 21 years old
 - Mailing address
 - Patient's attestation that caregiver's information is accurate
 - \$200 (for initial application & every renewal)
 - \$25 for Medicaid/SSI/Veterans' disability patients
 - No felony drug convictions
 - Other felonies may disqualify at Dept.'s discretion

Patient Process

- Dept. of Health must approve or deny application within 15 days of receipt
 - If no ruling within 35 days, assumed valid until notified
 - Application approval for patient means automatic approval of caregiver(s)
 - If caregiver's initial application
- Current forms notify applicant that processing will take between 4 and 6 weeks

Current Fees – Unchanged by Article 14

Application	Fee	Renewal
Patient	\$100	Biennial
Medicaid Patient	\$25	Biennial
Caregiver	\$200	Biennial
Caregiver for Medicaid Patient	\$25	Biennial
Compassion Center	\$5,000	Biennial

Fees collected by the Department of Health are currently deposited as general revenues

Current Program

Patient Self-Grow

- Up to 12 mature plants and 2.5oz at one time
- Grow plants indoors – location not registered
- Biennial registration renewal; no other taxes / fees
- Essentially unregulated

Caregivers

- Same as Patient Self-Grow
 - Up to 24 mature plants and 5oz; 5 patient limit

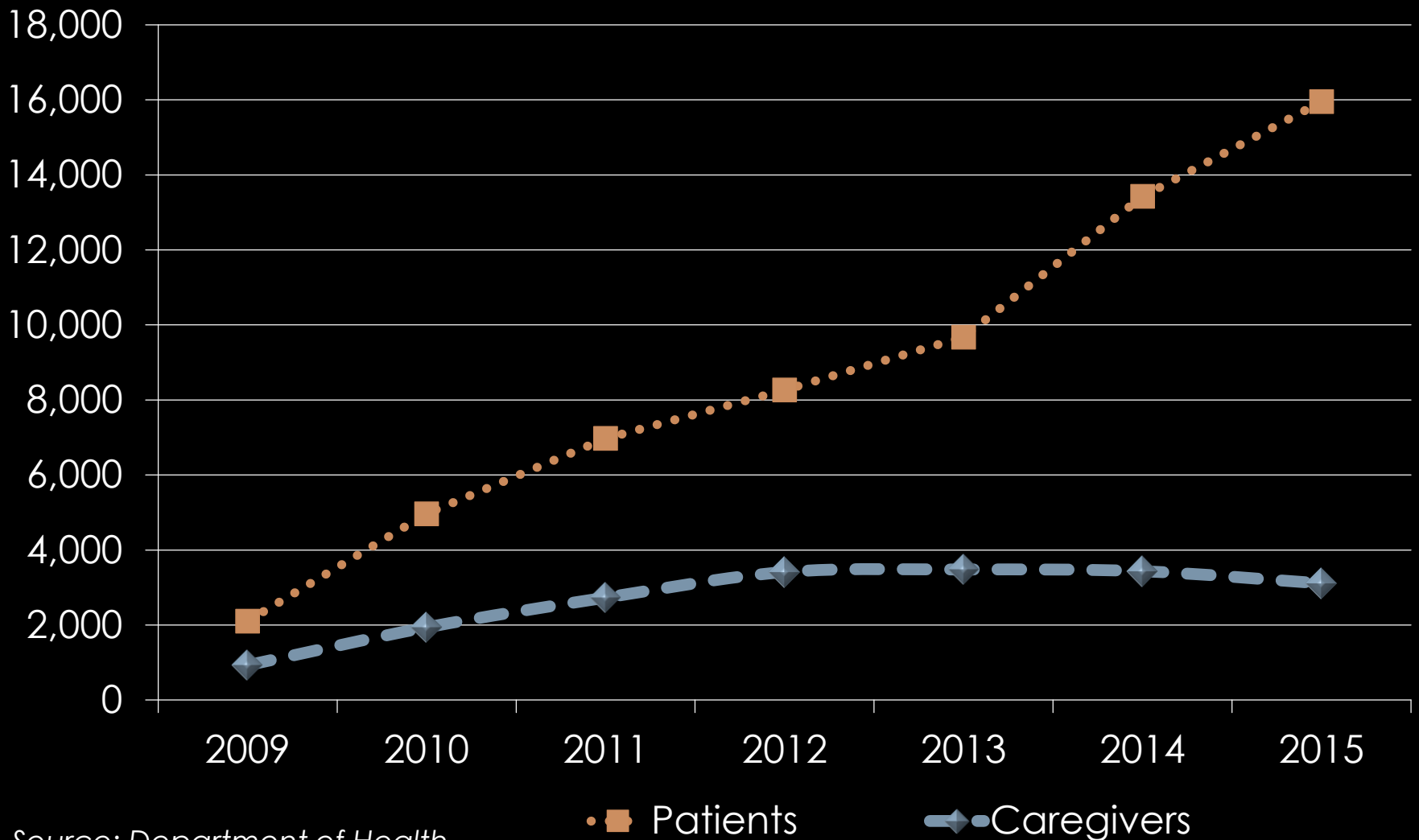
Compassion Centers

- May grow as many plants as needed
- Must follow federal guidelines for patient privacy (HIPAA)
- Background checks on employees and officers
- State Police have to review security systems
- Collect and remit 7% sales tax and 4% surcharge

Current Program

- Patients and caregivers may grow at multiple locations
 - No security requirements except plants must be indoors
- Compassion centers – brick and mortar locations
- Gray area regarding total allowed “plants” for patients and caregivers
 - Usable plants ready for harvest vs. plants at other stages in grow cycle

Participation in Program



Source: Department of Health

Governor's FY 2017 Proposal

- Compassion centers may not exist within 1,000 feet of nursery school or daycare center
 - Current law – may not exist within 1,000 feet of public or private school
- Institution of statewide compassion center database
 - Patients' information cross-checked when purchase made to ensure they do not go over legal possession limits

Governor's FY 2017 Proposal

- Compassion center surcharge decreased from 4% to 3%
 - No change to sales tax
- Patients able to use any compassion center

Fiscal Year	Gross Receipts	Surcharge	Sales Tax
2016*	\$17,106,037	\$684,241	\$1,197,423
2015	9,643,100	385,724	675,017
2014	6,728,900	269,156	471,023
2013	416,400	16,656	29,148

**As of March 31, 2016; Data corrected from version presented to Committee and aired on Capitol TV on March 29, 2016*

Governor's FY 2017 Proposal

- Prohibit use of flammable solvents for processing of plants to make hash oil or process plants by patients and caregivers
 - Currently little regulation regarding plant processing
 - Oil from plants found useful for medicinal purposes
 - Extracted using butane
 - For use as medicine – solvent must be evaporated

Governor's FY 2017 Proposal

- Require the Department of Health to promulgate rules and regulations regarding quality and safety testing
- Require the Department of Health to institute labeling regulations
- Limit physicians who may recommend treatment to those licensed to prescribe in Rhode Island
 - MA & CT physicians no longer allowed

Governor's FY 2017 Proposal

- Establish authorized purchaser license
 - Person designated by patient to purchase medical marijuana on their behalf (\$25 fee)
 - May only purchase for one patient
 - Patients can designate authorized purchaser or caregiver
- Fast-track Department of Health application review for patients in hospice care

Governor's FY 2017 Proposal

- Alter total number of plants co-op caregivers pooling resources at single grow site may grow
 - Non-residential location – 72 plants
 - Residential location – 36 plants
- Co-op must have license from Department of Business Regulation prominently displayed

Governor's FY 2017 Proposal

- Establish cultivator license (\$500)
 - Grow to sell only to compassion centers
 - Compassion centers not obligated to purchase from cultivators
- Shift licensing of caregivers and compassion centers to Department of Business Regulation
 - Patients remain registered with Health
 - Authorized buyers would register with Health

Governor's FY 2017 Proposal

- Caregivers would undergo background check at least every two years
 - Application disqualified if
 - Convicted of, felony drug offense, murder, manslaughter, rape, sexual assault, child molestation, kidnapping, arson, mayhem, robbery, breaking and entering, assault and battery, assault with a deadly weapon

Governor's FY 2017 Proposal

- Require all licensed patients, caregivers, and cultivators to grow at single location
 - Location must be registered with Department of Business Regulation
- Allow caregivers no more than 4 patients, if also registered as patient
 - Caregivers who are not patients may still serve up to 5 patients

Governor's FY 2017 Proposal

- Limit total plants allowed at any time for patients to 6 (seedlings & mature)
- Caregivers - 24 plants at one time
- Total number of plants co-op caregivers pooling resources at single grow site:
 - Non-residential location – 72 plants
 - Residential location – 36 plants
- Cultivators' growth not limited

Governor's FY 2017 Proposal

- Institute plant tagging system
 - Administered by Dept. Business Regulation
 - One tag per plant – tag can be used for new plant after harvest of mature, within year of purchase

Population	Annual Cost Per Tag
Self-grow patients	\$150
Caregivers with Medicaid patients	\$150
Caregivers	\$350
Co-op Growers	\$350
Cultivators	\$350

Governor's FY 2017 Proposal

Population	Annual Cost Per Tag	Estimated Tags	Revenue Assumption <i>(In millions)</i>
Self-grow patients	\$150	9,600	\$1.4
Caregivers - Medicaid patient	\$150	4,079	\$0.6
Caregivers	\$350	23,581	\$8.3
Co-op Growers	\$350	1,140	\$0.4
Cultivators	\$350	30	\$0.0
Total		38,430	\$10.7

Governor's FY 2017 Proposal

- Budget includes revenue changes
 - \$0.2 million decrease from surcharge reduction
 - \$0.9 million shift of registration and licensing fees from general revenues to restricted
 - Fund staff dedicated to program in Departments of Health and Business Regulation
- Gov. includes \$1.3 million to purchase tag tracking software/staff training
- Net revenues of \$8.5 million for FY 2017

Governor's FY 2017 Proposal

- Other Issues in Proposal
 - Patients and caregivers have until December 31, 2016 to destroy excess product
 - Patients can no longer transfer unused product to other registered patients
 - Physician's Assistants protected when discussing medical marijuana treatment with patients

Comparisons

State	IDs	Self-Grow	Caregivers	Dispensaries
California	Yes	Allowed	Allowed	Cooperatives
Alaska	Yes	Allowed	1 patient	No
Oregon	Yes	Allowed	Unlimited	Legalized
Washington	Yes	Allowed	1 patient	Legalized
Washington, D.C.	Yes	Allowed	1 patient	Yes – up to 5
Maine	Yes	Allowed	5 patients	Yes - 8
Hawaii	Yes	Allowed	1 patient	Yes – up to 5
Nevada	Yes	Allowed	Unlimited	Yes – up to 66
Colorado	Yes	Allowed	5 patients	Legalized
Montana	Yes	Allowed	3 patients	No
Vermont	Yes	Allowed	5 patients	Yes – up to 3

Comparisons

State	IDs	Self-Grow	Caregivers	Dispensaries
New Mexico	Yes	Allowed	4 patients	Yes
Michigan	Yes	Allowed	5 patients	No
New Jersey	Yes	Not Allowed	1 patient	Yes – up to 6
Arizona	Yes	Allowed	5 patients	Yes – up to 126
Delaware	Yes	Not Allowed	5 patients	Yes – up to 3
Connecticut	Yes	Not Allowed	1 patient	Yes
Massachusetts	Yes	If Hardship	1 patient	Yes
Illinois	Yes	Not Allowed	1 patient	Yes – up to 60
New Hampshire	Yes	Not Allowed	5 patients	Yes – up to 4
Maryland	Yes	Not Allowed	5 patients	Yes - up to 94
Minnesota	Yes	Not Allowed	1 patient	Yes – up to 8
New York	Yes	Not Allowed	5 patients	Yes – up to 20

Issues to Consider

- Patient needs differ
 - Different strains may be more or less effective for specific symptoms
 - Medical research is ongoing
- Few traditional medical practices claim experience with medical marijuana treatment
- Some medical practices specialize in medical marijuana recommendations
 - Some located out of state

Issues to Consider

- Multiple variables impacting growth & yield of usable product
 - Sex of plant
 - Light(s) and ventilation
 - Space available for grow station
 - Temperature
 - Time for growth from seed to harvest
- Growing expertise differs throughout three markets

Issues to Consider

- Amount of product per plant varies
 - Range may be as wide as 1 ounce to 1 pound
 - Remains illegal at federal level
 - Testing historically difficult to document
 - Information remains largely anecdotal
- Quality of product varies throughout markets
 - Organic versus “conventional” – pesticides may impact medicinal properties

Issues to Consider

- Timing – Effective July 1, 2016
 - Existing “seed to sale” tracking software may be modified to suit proposal
 - Preliminary research – no vendor or software selected
 - Logistics of patient tag purchases
 - Patient confidentiality and payment methods may be concerns
 - Enforcement of destruction of excess plant materials

Issues to Consider

- Patient Tags
 - Appropriate number needed per patient
 - Cost per patient
 - Maximum tag cost - \$900 per year
- Enforcement of patient tagging
 - No information transfer to verify self-growers
- Caregiver tags
 - Caregivers would be required to purchase at least one tag every year to maintain registration

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