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

<table>
<thead>
<tr>
<th>State</th>
<th>Year</th>
<th>How Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>1996</td>
<td>Popular vote</td>
</tr>
<tr>
<td>Alaska</td>
<td>1998</td>
<td>Popular vote</td>
</tr>
<tr>
<td>Oregon</td>
<td>1998</td>
<td>Popular vote</td>
</tr>
<tr>
<td>Washington</td>
<td>1998</td>
<td>Popular vote</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>1998</td>
<td>Popular vote</td>
</tr>
<tr>
<td>Maine</td>
<td>1999</td>
<td>Popular vote</td>
</tr>
<tr>
<td>Hawaii</td>
<td>2000</td>
<td>Legislative Action</td>
</tr>
<tr>
<td>Nevada</td>
<td>2000</td>
<td>Constitutional Amendment</td>
</tr>
<tr>
<td>Colorado</td>
<td>2001</td>
<td>Constitutional Amendment</td>
</tr>
<tr>
<td>Montana</td>
<td>2004</td>
<td>Legislative Action</td>
</tr>
<tr>
<td>Vermont</td>
<td>2004</td>
<td>Legislative Action</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>State</th>
<th>Year</th>
<th>How Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Mexico</td>
<td>2007</td>
<td>Legislative Action</td>
</tr>
<tr>
<td>Michigan</td>
<td>2008</td>
<td>Popular Vote</td>
</tr>
<tr>
<td>New Jersey</td>
<td>2010</td>
<td>Legislative Action</td>
</tr>
<tr>
<td>Arizona</td>
<td>2010</td>
<td>Popular Vote</td>
</tr>
<tr>
<td>Delaware</td>
<td>2011</td>
<td>Legislative Action</td>
</tr>
<tr>
<td>Connecticut</td>
<td>2012</td>
<td>Legislative Action</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>2012</td>
<td>Legislative Action</td>
</tr>
<tr>
<td>Illinois</td>
<td>2013</td>
<td>Legislative Action</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>2013</td>
<td>Legislative Action</td>
</tr>
<tr>
<td>Maryland</td>
<td>2014</td>
<td>Legislative Action</td>
</tr>
<tr>
<td>Minnesota</td>
<td>2014</td>
<td>Legislative Action</td>
</tr>
<tr>
<td>New York</td>
<td>2014</td>
<td>Legislative Action</td>
</tr>
</tbody>
</table>
## Qualifying Diseases and/or Symptoms in RI

<table>
<thead>
<tr>
<th>Patients Diagnosed With:</th>
<th>Patients Experiencing Following Symptoms:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cancer</td>
<td>Severe nausea</td>
</tr>
<tr>
<td>Human Immunodeficiency Virus (HIV)</td>
<td>Wasting Syndrome</td>
</tr>
<tr>
<td>Acquired Immune Deficiency Syndrome (AIDS)</td>
<td>Severe, debilitating chronic pain</td>
</tr>
<tr>
<td>Glaucoma</td>
<td>Severe muscle spasms</td>
</tr>
<tr>
<td>Alzheimer’s Disease</td>
<td>Seizures (not limited to epilepsy)</td>
</tr>
<tr>
<td>Hepatitis C</td>
<td></td>
</tr>
</tbody>
</table>
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-psychotropic 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
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

<table>
<thead>
<tr>
<th>Application</th>
<th>Fee</th>
<th>Renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient</td>
<td>$100</td>
<td>Biennial</td>
</tr>
<tr>
<td>Medicaid Patient</td>
<td>$25</td>
<td>Biennial</td>
</tr>
<tr>
<td>Caregiver</td>
<td>$200</td>
<td>Biennial</td>
</tr>
<tr>
<td>Caregiver for Medicaid Patient</td>
<td>$25</td>
<td>Biennial</td>
</tr>
<tr>
<td>Compassion Center</td>
<td>$5,000</td>
<td>Biennial</td>
</tr>
</tbody>
</table>

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

Patient Self-Grow
- Up to 12 mature plants and 2.5 oz 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 5 oz; 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

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

*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

<table>
<thead>
<tr>
<th>Population</th>
<th>Annual Cost Per Tag</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-grow patients</td>
<td>$150</td>
</tr>
<tr>
<td>Caregivers with Medicaid patients</td>
<td>$150</td>
</tr>
<tr>
<td>Caregivers</td>
<td>$350</td>
</tr>
<tr>
<td>Co-op Growers</td>
<td>$350</td>
</tr>
<tr>
<td>Cultivators</td>
<td>$350</td>
</tr>
</tbody>
</table>
# Governor’s FY 2017 Proposal

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

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

Source: Marijuana Policy Project
## Comparisons

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

Source: Marijuana Policy Project
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
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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Staff Presentation to the House Finance Committee
March 29, 2016