“Medical” Marijuana: Current Policies and Consideration

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What are the States Doing?

• 10 States and Washington DC have legalized Marijuana for recreational use (for those 21 and over)
• 33 states plus DC have legalized “medical” marijuana.
• Gallup 2017 showed 65% of Americans favored legalization
33 States Plus DC Have Legalized Medical Marijuana, 10 Recreational

States where marijuana is legal

- Legalized recreational and medical marijuana
- Legalized medical marijuana

Recreational weed is also legal in Canada now.
US Justice Department on Marijuana

- **1970: Controlled Substances Act (CSA)**
  - Congress prohibited the cultivation, distribution, or possession of marijuana/products, with severe penalties for the time.

- **2009-2014: AG/Cole Memo(s)**
  - Series of directives discouraging federal prosecutors from prosecuting marijuana users because of “scarce resources”, (including banking regs.)

- **2018: Sessions memo: Back to 1970**
Brand New National Changes

• The Farm Bill of 2018—Legalized Hemp

What’s the Difference?

• “Hemp” is a Cannabis plant that contains less than 0.3% THC
  • THC is the ingredient in marijuana that produces the euphoric effect (gets you high).
  • You can still make CBD oil from Hemp.
  • States must submit a regulatory scheme to the USDA before hemp can be grown/processed in their state.
The FDA’s Official Position on Marijuana as a useful Drug (1 December 2018)

• The FDA has not approved botanical marijuana as a safe and effective drug for any indication.
• For certain drugs that have not been approved by the FDA, such as marijuana, the lack of FDA approval and oversight means that the purity and potency of the drug may vary considerably.
FDA Commissioner Scott Gottlieb, (November 2018)

• “Recreational marijuana doesn't fall within our purview right now...we do regulate compounds that are making drug claims and we regulate botanical use of marijuana. We have approved compounds derived from marijuana, but there is no demonstrated medical use of botanical marijuana. That's the bottom line.”
• “medicinal” part of marijuana (CBD) isolated from “get you high” part (THC).
• Fully through FDA, approved for certain types of epilepsy, anxiety disorders
• DEA has classified as ‘Level 5’ which is the safest class
• In pharmacies this year, Docs will be able to prescribe normally.
• Insurance companies will cover under normal drug benefits.

EPIDIOLEX UPDATE!!! Clears FDA Approval 7/25/18
Since Marijuana is still considered a “Schedule 1 Narcotic” (like heroin), and with little FDA support, States are on their own to regulate it.
Legal Cannabis Growing Operations
Hazards & Health Risks

Excessive UV exposure
Excessive CO₂ exposure
Accidental exposure to
DANGER! oxides of Nitrogen
DANGER! Carbon Monoxide
Drug exposures while handling plant buds

Fertilizer
Pesticide

Personal Protective Equipment (PPE) Suggestions
Respirators
Eye & Face Protection
Skin Protection

Respiratory protection may help reduce exposure to pesticides or chemicals.
Eyewear can be used to protect from contact with THC, pesticides and chemicals.
Coveralls, lab coats, aprons, footwear, and especially gloves can be used to prevent skin contact and exposure to THC, pesticides and fertilizers.
Are the States Set Up to Regulate the Safety and Use of ANY drug?

- **Colorado** pot dispensaries routinely recommend marijuana to pregnant women to help with morning sickness (over 70%).
- Marijuana use during pregnancy has been associated with low birth weight and slower fetal development (among other things).
- THC has been shown to cross the placental barrier.
- Food and Candy containing marijuana are dispensed without child proof packaging.
Challenges in an unregulated industry producing food and medicine

Notes from the Global Food Safety Resource Council:

• “there are no official federal regulations for the manufacture of cannabis food products and, as a result, cannabis companies are at a higher risk of unknowingly producing unsafe products.”

• “In Colorado and California, a huge percentage of products for sale in dispensaries have never been through any kind of government safety audit.”

• “Contamination is a serious issue with cannabis, and the usual food safety culprits are common: listeria, Salmonella, E. Coli, Noro virus, and Hepatitis A.”
Concerns “in the News” from Legalization States.

- California sampling surveys of cannabis products sold in marijuana dispensaries have shown that cannabis products may contain dangerous bacteria or mold, or residues from pesticides and solvents. (NPR Healthshots 18-March-2018)

- Strong evidence links marijuana use to the risk of developing schizophrenia and other causes of psychosis, with the highest risk among the most frequent users. (CBS News, 12-January-2017)
It is About the Money?

- Legal Marijuana sales in California were projected to bring in $175m in tax revenue in first 6 months.
- Actual collections $34m
- 50% of dispensaries non-compliant
- Taxed at state, and local levels
- 12,000 license applications, 225 issued.
- Analysts say prices have increased dramatically since legalization, bolstering black market sales
- This is the opposite of the expected effect.

Financial Notes from 2018

• “The average retailer is moving $250,000 in cannabis products each month in California & the total could approach $3 Billion in sales for all of 2018” (Forbes August 2018)

• “Medical” marijuana is not subject to sales and excise taxes in California (Forbes, August 2018).

• Any business selling marijuana cannot claim normal business federal tax deductions save COGS. Makes their effective federal tax rate 70-90%! (The Motley Fool Winter 2018)

“DUDE! Don’t bogart all the Vapes, man!”
Financial Hurdles for the Industry

- Weed is still Schedule 1, illegal at the federal level.
- Banks using the FDIC cannot touch cannabis money
- To do so would be considered “laundering”
- Cannabis is an “all-cash” business
- Potential Solutions:
  - “Febreeze Rooms”
  - Abandoned Credit Unions
  - High-End Security Companies
  - Legislative Intervention
One State’s Road: Louisiana

- Laws passed in 2015, 2016, and 2018 are defining and “evolving” medical marijuana use in Louisiana.
- “Inhalation” or “Vaping” of marijuana remains illegal in Louisiana.
- Once approved by the State Board of Pharmacists, a Physician may “recommend” marijuana but not prescribe it. (You can’t “prescribe” something that is against federal law, technically.)
- Legislature has approved “medical” marijuana for very specific conditions in Louisiana.
Approved Conditions by Louisiana

Original (2015-2016) List

• Cancer
• HIV/AIDS
• Cachexia (wasting)
• Seizure Disorder
• Muscular Dystrophy
• Crohn’s Disease
• Multiple Sclerosis
• Cerebral Palsy
• Spinal Cord injuries

New (2018) List

• Glaucoma (both lists)
• “Severe” muscle spasms
• “Intractable” pain
• Post Traumatic Stress Disorder (PTSD)
• Parkinson’s Disease
• Certain parts of the Autism Spectrum
• LSU Ag Center and Southern University Ag Center are the only entities to hold state licenses to produce medical marijuana.
• They are both contracted to Las Vegas based GB Sciences, a cannabis company focused on pharmaceutical development.
• GB is attempting to patent their strains of cannabis for arthritis, heart issues, and a host of other conditions.
• Cannabis must be delivered as an oil/extract only (CBD).
Who is GB Sciences?

- Publicly Traded Start-Up <2 Years old.
- $1.6m in revenue 2017.
- Lost $13m in 2017.
- Total balance sheet value only $16m, yet 131m shares issued.
- Trading below $1 per share.
How Do Carriers Determine What Procedures/Treatments/Drugs to cover?

- Level 1: Required By Federal Law
- Level 2: Required By State Law
- Level 3: Good Science
- Level 4: Cost/Safety Analysis
- Level 5: Group Contract Driven
Carrier Position on “medical” Marijuana

• Unlikely to ever fund through “dispensaries” or cash businesses
• Very unlikely to cover pre FDA approval (like Epidiolex)
• Undocumented and serious side effects, no child-proofing in most cannabis products today.
Do All the Solutions Lie with the Federal Government?

“After two years in Washington, I often long for the sincerity and realism of Hollywood.”

Tennessee Senator & Actor
Fred Dalton Thompson
(b1942-d2015)
WWW.STRAIGHTTALKLA.COM is your Policy Touchstone
Guess Which One Wants to Be a Doctor?

You can call me “Coach Billy!”

You can call me “Doctor Abby!”