AN ACT

relating to prescription drug benefits under the group health benefit programs for certain governmental employees and retired employees.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1551.205, Insurance Code, as effective June 1, 2003, is amended to read as follows:

Sec. 1551.205. LIMITATIONS. The board of trustees may not contract for or provide a coverage plan that:

(1) excludes or limits coverage or services for acquired immune deficiency syndrome, as defined by the Centers for Disease Control and Prevention of the United States Public Health Service, or human immunodeficiency virus infection; [~~or~~]

(2) provides coverage for serious mental illness that is less extensive than the coverage provided for any physical illness; or

(3) may provide coverage for prescription drugs to assist in stopping smoking at a lower benefit level than is provided for other prescription drugs.

SECTION 2. Subchapter E, Chapter 1551, Insurance Code, as effective June 1, 2003, is amended by adding Sections 1551.218 and 1551.219 to read as follows:

Sec. 1551.218. PRIOR AUTHORIZATION FOR CERTAIN DRUGS. (a) In this section, "drug formulary" means a list of drugs

preferred for use and eligible for coverage under a health benefit plan.

(b) A health benefit plan provided under this chapter that uses a drug formulary in providing a prescription drug benefit must require prior authorization for coverage of the following categories of prescribed drugs if the specific drug prescribed is not included in the formulary:

(1) a gastrointestinal drug;

(2) a cholesterol-lowering drug;

(3) an anti-inflammatory drug;

(4) an antihistamine drug; and

(5) an antidepressant drug.

(c) Every six months the board of trustees shall submit to the comptroller and Legislative Budget Board a report regarding any cost savings achieved in the group benefits program through implementation of the prior authorization requirement of this section. A report must cover the previous six-month period.

Sec. 1551.219. MAIL ORDER REQUIREMENT FOR PRESCRIPTION DRUG COVERAGE PROHIBITED. The board of trustees or a health benefit plan under this chapter that provides benefits for prescription drugs may not require a participant in the group benefits program to purchase a prescription drug through a mail order program. The board or health benefit plan shall require that a participant who chooses to obtain a prescription drug through a retail pharmacy or other method other than by mail order pay a deductible, copayment, coinsurance, or other cost-sharing obligation to cover the additional cost of obtaining a prescription drug through that

method rather than by mail order.

SECTION 3. Subchapter D, Chapter 1575, Insurance Code, as effective June 1, 2003, is amended by adding Section 1575.161 to read as follows:

Sec. 1575.161. PRIOR AUTHORIZATION FOR CERTAIN DRUGS. (a) In this section, "drug formulary" means a list of drugs preferred for use and eligible for coverage under a health benefit plan.

(b) A health benefit plan provided under this chapter that uses a drug formulary in providing a prescription drug benefit must require prior authorization for coverage of the following categories of prescribed drugs if the specific drug prescribed is not included in the formulary:

(1) a gastrointestinal drug;

(2) a cholesterol-lowering drug;

(3) an anti-inflammatory drug;

(4) an antihistamine; and

(5) an antidepressant drug.

(c) Every six months the board of trustees shall submit to the comptroller and Legislative Budget Board a report regarding any cost savings achieved in the group program through implementation of the prior authorization requirement of this section. A report must cover the previous six-month period.

SECTION 4. Subchapter E, Chapter 3, Insurance Code, is amended by adding Article 3.50-7A to read as follows:

Art. 3.50-7A. PRIOR AUTHORIZATION FOR CERTAIN DRUGS PROVIDED UNDER TEXAS SCHOOL EMPLOYEES UNIFORM GROUP COVERAGE

PROGRAM. (a) In this article, "drug formulary" means a list of drugs preferred for use and eligible for coverage by a health coverage plan.

(b) A health coverage plan provided under the uniform group coverage program established under Article 3.50-7 of this code that uses a drug formulary in providing a prescription drug benefit must require prior authorization for coverage of the following categories of prescribed drugs if the specific drug prescribed is not included in the formulary:

(1) a gastrointestinal drug;

(2) a cholesterol-lowering drug;

(3) an anti-inflammatory drug;

(4) an antihistamine drug; and

(5) an antidepressant drug.

(c) Every six months the Teacher Retirement System of Texas shall submit to the comptroller and Legislative Budget Board a report regarding any cost savings achieved in the uniform group coverage program through implementation of the prior authorization requirement of this article. A report must cover the previous six-month period.

SECTION 5. The initial reports required by Subsection (c), Section 1551.218, and Subsection (c), Section 1575.161, Insurance Code, and Subsection (c), Article 3.50-7A, Insurance Code, as added by this Act, are due September 1, 2005.

SECTION 6. Section 1551.205(3), Insurance Code, as added by this Act applies only to coverage contracted for or provided by the board of trustees established under Chapter 815, Government Code,

to administer the Employees Retirement System of Texas on or after September 1, 2004. Coverage contracted for or provided by the board of trustees before September 1, 2004, is governed by the law in effect immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 7. This Act takes effect September 1, 2003, and applies to health benefit plans provided under Chapters 1551 and 1575, Insurance Code, as effective June 1, 2003, and health coverage plans subject to Article 3.50-7A, Insurance Code, as added by this Act, beginning with the 2004-2005 plan year.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1173 passed the Senate on May 13, 2003, by the following vote: Yeas 31, Nays 0; and that the Senate concurred in House amendments on May 31, 2003, by the following vote: Yeas 30, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 1173 passed the House, with amendments, on May 28, 2003, by the following vote: Yeas 138, Nays 0, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor