

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 11, 2003

TO: Honorable Dianne White Delisi, Chair, House Committee on State Health Care Expenditures, Select

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB989 by Delisi (Relating to the provision of medications and medical supplies under the medical assistance program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB989, As Introduced: a positive impact of \$8,294,787 through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$4,148,543
2005	\$4,146,244
2006	\$4,107,894
2007	\$4,107,894
2008	\$4,107,894

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GR MATCH FOR MEDICAID 758</i>	Probable Savings/(Cost) from <i>GR MATCH FOR TITLE XXI 8010</i>	Probable Revenue Gain/ (Loss) from <i>FEDERAL FUNDS 555</i>
2004	\$4,123,323	\$25,220	(\$6,302,089)
2005	\$4,121,251	\$24,993	(\$6,304,387)
2006	\$4,082,919	\$24,975	(\$6,342,738)
2007	\$4,082,919	\$24,975	(\$6,342,738)
2008	\$4,082,919	\$24,975	(\$6,342,738)

Fiscal Year	Change in Number of State Employees from FY 2003
2004	3.0
2005	3.0
2006	3.0
2007	3.0
2008	3.0

Fiscal Analysis

The bill would require the Health and Human Services Commission (HHSC) to adopt rules

establishing procedures for the bulk purchasing of medically necessary, over-the-counter medications (OTC) and medical supplies that were previously being provided by prescription and distribution of these items.

Methodology

It is assumed that HHSC would negotiate storage arrangements, as appropriate, with distribution companies. It is further assumed that HHSC would partner with the Department of Health to use existing infrastructure for the storage of any remaining medications. It is assumed that the cost of providing storage or negotiating storage with distribution companies would cost \$800,000. It is assumed that an additional three (3) FTEs would be needed to administer the OTC program. Combined salaries of the FTEs is assumed to \$ 990,000. The average cost of a claim in the Medicaid program for OTC is \$13.38 and the average cost of a OTC claim in the Children's Health Insurance Program (CHIP) is \$34.65. (CHIP's OTC coverage is limited to insulin and syringes.) The number of Medicaid claims for OTC is 2,580,994 and for 8,708 for CHIP. These numbers are held flat. It is assumed that bulk purchasing would result in a thirty percent (30%) reduction in the cost of OTCs. It is assumed that the co-payments would accrue to the providers.

Technology

none

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health And Human Services Commission

LBB Staff: JK, JO, EB, AJ