

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 12, 2003

TO: Honorable Bill Ratliff, Chair, Senate Committee on State Affairs

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1744 by Delisi (Relating to prescription drug benefits under the group health benefit programs for certain governmental employees and retired employees.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1744, As Engrossed: a positive impact of \$14,030,000 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$4,676,000
2005	\$9,354,000
2006	\$9,354,000
2007	\$9,354,000
2008	\$9,354,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from GENERAL REVENUE FUND 1
2004	\$4,676,000
2005	\$9,354,000
2006	\$9,354,000
2007	\$9,354,000
2008	\$9,354,000

Fiscal Analysis

This bill requires the Employees Retirement System of Texas (ERS), the Teacher Retirement System of Texas (TRS), and the Texas Public School Employees Group to expand their use of prior authorization for drugs not on their formulary, particularly for gastrointestinal drugs, cholesterol-lowering drugs, anti-inflammatory drugs, antihistamine drugs, and antidepressant drugs.

A floor amendment to the bill authorizes the ERS board of trustees or health benefit plan to require that a participant choosing to obtain a maintenance prescription drug through a retail pharmacy rather than by mail order to cover the additional cost of obtaining a prescription drug through the retail pharmacy rather than by mail order.

Methodology

This bill, if enacted, would implement recommendation C in HHS 8 from the Comptroller's e-Texas report, Limited Government, Unlimited Opportunity relating to an expanded use of prior authorization for certain drugs. Cost savings would be generated when a prescription is denied coverage as a result of prior authorization, as well as, cost savings resulting from claims that are not filed.

Costs saving estimates for TRS assume that the agency would phase in the expansion of prior authorization over six months. Cost savings are adjusted by 10 percent to reflect the costs of hiring a contractor to administer the prior authorization program. According to the Comptroller, biennial savings in General Revenue for TRS health care programs would total \$14.0 million. (See fiscal impact table.)

ERS already has a prior authorization program in place for gastrointestinal drugs, one of the drug categories included in the bill. Currently, claims expenditures for non-formulary drugs total approximately \$2.6 million per fiscal year. ERS indicates estimates that expanding the prior authorization program to the five other drug categories listed in the bill would generate cost savings of \$1.0 million per fiscal year. This savings assumes that a prior authorization program would save 12 future claims per participant/individual, and that the average health plan cost for non-formulary drugs is \$45. Although this bill would generate some savings in ERS claims for prescription drugs, it does not appear that these savings would exceed existing claim costs for non-formulary drugs. As a result, no cost savings are included in the Fiscal Impact table for ERS.

Since health plan participants are required to pay the difference in cost between obtaining a prescription drug through a retail pharmacy or other method and mail order, the floor amendment prohibiting mandatory use of mail order for prescription drug coverage would have no fiscal impact.

Technology

None.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 327 Employees Retirement System, 454 Department of Insurance

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