

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 1, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1933 by Capelo (Relating to a prescription drug purchasing program and an associated assistance program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1933, As Introduced: a positive impact of \$112,767,397 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	\$37,484,111
2005	\$75,283,286
2006	\$75,222,875
2007	\$75,222,875
2008	\$75,222,875

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from GR MATCH FOR MEDICAID 758	Probable (Cost) from GR MATCH FOR MEDICAID 758	Probable Revenue Gain/(Loss) from FEDERAL FUNDS 555	Probable Savings/ (Cost) from FEDERAL FUNDS 555
2004	\$40,072,921	(\$28,087,192)	\$77,135,810	\$41,501,002
2005	\$79,420,905	(\$54,673,107)	\$77,323,935	\$43,907,092
2006	\$79,360,494	(\$54,634,667)	\$77,635,527	\$40,237,823
2007	\$79,360,494	(\$54,634,667)	\$77,635,527	\$40,237,823
2008	\$79,360,494	(\$54,634,667)	\$77,635,527	\$40,237,823

Fiscal Year	Probable Revenue Gain from VENDOR DRUG REBATES- MEDICAID 706
2004	\$25,498,382
2005	\$50,535,488
2006	\$50,497,048
2007	\$50,497,048
2008	\$50,497,048

Fiscal Analysis

The bill would require the Health and Human Services Commission (HHSC) to negotiate rebates and discount prices for prescription drugs sold in the state. If the manufacturer or labeler does not agree to rebates or discount prices, HHSC must place their products on a list requiring prior authorization in the Medicaid or state program. The bill would direct the commission to establish a Tex-TX card program as a state pharmaceutical assistance program that allows participants to purchase drugs at discounted prices. Participants would have household income at 300 federal poverty level or less. The bill would require an annual report to the legislature not later than January 1st of odd-numbered years.

Methodology

To estimate the cost and savings associated with the implementation of a preferred drug list, Medicaid Vendor Drug Program expenditures are held at FY 2003 levels, \$721,723,593 in General Revenue.

It is assumed that the program would be implemented by March 1, 2004.

The assumed market shift created through prior authorization is based upon an 80 percent redirection to a 20 percent less expensive drug (approximately \$43.9 million per year). Supplemental rebates are assumed to be negotiated at 7.4 percent and are calculated after reducing the drug expenditures by the savings due to redirection. It is assumed that supplemental rebates would be expended to offset program costs.

It is assumed that the administration of the program would require a Pharmacy Benefit Manager (PBM) to maintain the Preferred Drug List, manage the prior authorization process, perform pharmacy liaison functions, and other administrative tasks. The PBM will be paid a flat administrative fee based at an average of \$0.50 per authorized claim at an estimate of 6,530,476 claims per year.

Vendor Drug administration costs (\$5 million per year) are based on functional requirements for client outreach, client appeals and complaints, mailing costs and other administrative functions.

Technology

The costs of Department of Human Services (DHS) automation for the Medicaid Vendor Drug Program are paid through the Health and Human Services Commission interagency contract with DHS and are included in this cost estimate at 20,000 programming hours at \$104 per hour, for a cost of \$2.1 million in all funds.

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, KF, AJ