

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 18, 2003

TO: Honorable Jane Nelson, Chair, Senate Committee on Health & Human Services

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2298 by Uresti (Relating to the authority of certain state agencies to purchase prescription drugs and other medications jointly with other states.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2298, As Engrossed: a positive impact of \$5,345,687 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	\$2,662,932
2005	\$2,682,755
2006	\$2,727,359
2007	\$2,776,997
2008	\$2,829,843

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from GR MATCH FOR MEDICAID 758	Probable Savings from FEDERAL FUNDS 555
2004	\$2,662,932	\$4,027,852
2005	\$2,682,755	\$4,119,363
2006	\$2,727,359	\$4,193,116
2007	\$2,776,997	\$4,269,430
2008	\$2,829,843	\$4,350,678

Fiscal Analysis

The bill would authorize the Health and Human Services Commission to enter into agreements with other states for the joint bulk purchasing of prescription drugs.

Methodology

It is assumed that savings achieved through bulk purchasing with other states would be similar to estimated savings achieved through bulk purchasing of prescription drugs within Texas agencies. The Department of Mental Health and Mental Retardation indicates that its practices include the negotiation of the best price and bulk purchasing with other states would not significantly impact its drug prices. The Texas Department of Health and the Department of Human Services indicate no significant fiscal impact.

The Interagency Council of Pharmaceutical Bulk Purchasing has already implemented cost savings strategies related to bulk purchasing; therefore it is assumed that the Medicaid Vendor Drug Program (VDP) could save an additional 1 percent through bulk purchasing with other states. Estimated drug expenditures are as follows: \$669,078,300 in fiscal year 2004, \$680,211,180 in fiscal year 2005, \$692,047,500 in fiscal year 2006, \$704,642,700 in fiscal year 2007, \$718,052,100 in fiscal year 2008.

A reduction in manufacturers' rebates would partially offset these savings.

Local Government Impact

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

Source Agencies: 324 Department of Human Services, 501 Department of Health, 529 Health and Human Services Commission, 655 Department of Mental Health and Mental Retardation

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