

**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: HB2735** by Deshotel (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 HB2735, As Introduced: a positive impact of \$6,420,577 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	\$2,053,343
2005	\$4,367,234
2006	\$4,613,682
2007	\$4,613,682
2008	\$4,613,682

**All Funds, Five-Year Impact:**

Fiscal Year	Probable (Cost) from <i>GR MATCH FOR</i> <i>MEDICAID</i> 758	Probable Savings from <i>GR MATCH FOR</i> <i>MEDICAID</i> 758	Probable Savings from <i>FEDERAL FUNDS</i> 555	Probable (Cost) from <i>FEDERAL FUNDS</i> 555
2004	(\$303,179)	\$2,356,522	\$3,564,388	(\$303,179)
2005	(\$303,179)	\$4,670,413	\$2,356,522	(\$303,179)
2006	(\$53,179)	\$4,666,861	\$7,174,958	(\$53,179)
2007	(\$53,179)	\$4,666,861	\$7,174,958	(\$53,179)
2008	(\$53,179)	\$4,666,861	\$7,174,958	(\$53,179)

Fiscal Year	Change in Number of State Employees from FY 2003
2004	2.0
2005	2.0
2006	2.0
2007	2.0
2008	2.0

## **Fiscal Analysis**

The bill would require the Health and Human Services Commission (HHSC) to adopt rules regarding the purchase and distribution of medically necessary, over-the-counter medications (OTC) and supplies that were previously being provided via a prescription. The bill would require a report to the legislature on the status of the initiative by January 1, 2004.

## **Methodology**

It is assumed that the Health and Human Services Commission (HHSC) would determine a more cost-effective means to distribute these drugs and supplies. The following annual numbers of claims for these products are estimated as follows: 370,000 for insulin and syringes and 2,211,000 claims for other over-the-counter medications (OTC). The average dispensing fee for insulin-related category is estimated to be \$6.19. The average dispensing fee for other OTC drugs is \$4.32. It is assumed that the initiative would be implemented by March 1, 2004.

HHSC estimates that \$1 million in administrative costs would be needed to set up the infrastructure of the initiative; it is assumed this would be divided equally between fiscal years 2004 and 2005. Two new staff persons will be needed for the initiative with salaries and benefits totaling \$106,358 per year. Estimated savings are assumed due to the development of a new delivery system.

## **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