

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**April 15, 2003**

**TO:** Honorable Jaime Capelo, Chair, House Committee on Public Health

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB2992** by Capelo (Relating to the repeal of certain reporting requirements of drug manufacturers and wholesalers.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2992, As Introduced: a negative impact of (\$13,369,521) 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	(\$4,436,015)
2005	(\$8,933,506)
2006	(\$9,319,667)
2007	(\$9,675,671)
2008	(\$10,044,032)

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

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/ (Cost) from <i>GR MATCH FOR MEDICAID 758</i>	Probable (Cost) from <i>FEDERAL FUNDS 555</i>	Probable Revenue Gain/(Loss) from <i>VENDOR DRUG REBATES-MEDICAID 706</i>
2004	(\$249,000)	(\$5,233,769)	(\$7,916,405)	\$1,046,754
2005	(\$249,000)	(\$10,855,632)	(\$16,337,835)	\$2,171,126
2006	(\$338,000)	(\$11,227,084)	(\$16,889,831)	\$2,245,417
2007	(\$389,000)	(\$11,608,339)	(\$17,463,384)	\$2,321,668
2008	(\$442,000)	(\$12,002,540)	(\$18,056,413)	\$2,400,508

**Fiscal Analysis**

This bill would repeal sections 431.116 and 431.208 of the Health and Safety Code relating to certain reporting requirements of drug manufacturers and wholesalers. The bill would repeal reporting requirements that provide detailed price and cost information to the Interagency Council on Pharmaceuticals Bulk Purchasing at the Texas Department of Health in order to facilitate negotiations to achieve savings on prescription drugs.

This bill would take effect September 1, 2003.

**Methodology**

According to the Department of Health, the provisions that this bill would repeal have not yet been implemented. However, it is assumed that the implementation of the reporting requirements currently

required in statute by July 1, 2003 would have generated savings by lowering prices on prescription drugs.

It is assumed that General Revenue savings on prescriptions purchased through the Texas Center for Infectious Disease, based on securing a 60 percent discount from the Average Wholesale Price through negotiations with pharmaceutical manufacturers and/or wholesale distributors would not be realized, resulting in increased costs to General Revenue. A loss of savings would total \$249,000 in fiscal year 2004, \$294,000 in fiscal year 2005, \$338,000 in fiscal year 2006, \$389,000 in fiscal year 2007, and \$442,000 in fiscal year 2008.

It is estimated that savings that would result from the reporting of the purchase price would be included in the savings that would result from the reporting of the average manufacturer price. Since the savings would not be additive, the larger impact--associated with the reporting of the average manufacturer price--is detailed below:

It is assumed that without the detailed price and cost information, the Medicaid Vendor Drug program would not be able to negotiate a 2 percent discount off of the current pricing structure, effective March 2003. The unadjusted average cost (price) per prescription paid by the program in fiscal year 2001 was assumed to be \$47.33. No increases are assumed for future years. Assuming the estimated number of annual Medicaid prescriptions totals 27,784,015 in fiscal year 2004, 28,727,517 in fiscal year 2005, 29,703,059 in fiscal year 2006, 30,711,729 in fiscal year 2007, and 31,754,651 in fiscal year 2008. Savings would accrue to federal funds and State General Revenue Match for Medicaid. It is assumed that the federal share would total 60.20 percent in fiscal year 2004, 60.08 percent in fiscal year 2005, and 60.07percent in each subsequent year.

Approximately 20 percent of the General Revenue for the Vendor Drug program is provided through manufacturer rebates. This saving would partially offset the need for increased expenditure due to savings not realized identified above.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 501 Department of Health, 529 Health and Human Services Commission, 655 Department of Mental Health and Mental Retardation, 696 Department of Criminal Justice

**LBB Staff:** JK, JO, EB, KF, MH, AJ