

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 24, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB865 by Van de Putte (Relating to pricing standards used under the Medicaid vendor drug program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB865, As Introduced: a negative impact of (\$42,902,758) 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	(\$21,548,836)
2005	(\$21,353,922)
2006	(\$21,337,680)
2007	(\$21,337,680)
2008	(\$21,337,680)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GR MATCH FOR MEDICAID 758	Probable Savings/(Cost) from FEDERAL FUNDS 555
2004	(\$21,548,836)	(\$32,593,969)
2005	(\$21,353,922)	(\$32,788,883)
2006	(\$21,337,680)	(\$32,805,126)
2007	(\$21,337,680)	(\$32,805,126)
2008	(\$21,337,680)	(\$32,805,126)

Fiscal Analysis

The bill would require that reimbursement amounts for prescription drug prices in the Medicaid Vendor Drug Program (VDP) be based upon a nationally recognized, unbiased pricing standard. The bill would further require that the reimbursement amounts be updated at least weekly.

The Health and Human Services Commission (HHSC) currently uses a nationally recognized database of drug prices that is updated weekly. It is assumed that the nationally recognized database would meet the requirements of this bill of a "nationally recognized unbiased pricing standard".

Currently, HHSC also uses other methods to determine reimbursement amounts, such as audited pharmacy invoices. It is assumed that HHSC would no longer be able to use other methods to determine reimbursement amounts, such as audited pharmacy invoices, and would only be able to use

the nationally recognized database. HHSC indicated that currently using other methods result in a savings to the Vendor Drug Program, and under the provisions of the bill, the savings would be eliminated resulting in an increase cost to the program.

Methodology

The Health and Human Services Commission (HHSC) estimates that pharmacy invoice audits result in a 3 percent reduction of total Vendor Drug Program drug expenditures per year. Without information obtained through invoice audits, HHSC assumes that drug expenditures would increase by 3 percent per year, a cost of \$21.5 million in General Revenue and \$35.6 million in Federal Funds per year. Drug expenditures are held constant at fiscal years 2003 levels.

Technology

It is assumed that costs for reprogramming could be reasonably absorbed within existing resources.

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