

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 29, 2003

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1173 by Janek (Relating to prescription drug benefits under the group health benefit programs for certain governmental employees and retired employees.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1173, As Passed 2nd House: a positive impact of \$15,086,000 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	\$4,732,000
2005	\$10,354,000
2006	\$10,354,000
2007	\$10,354,000
2008	\$10,354,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Savings/(Cost) from <i>OTHER FUNDS</i> 997
2004	\$4,732,000	\$38,915
2005	\$10,354,000	\$694,915
2006	\$10,354,000	\$694,915
2007	\$10,354,000	\$694,915
2008	\$10,354,000	\$694,915

Fiscal Analysis

The bill would implement recommendation C in HHS 8 from the Comptroller's e-Texas report, Limited Government, Unlimited Opportunity. The e-Texas recommendation HHS 8 requires the Employees Retirement System of Texas (ERS), the Teacher Retirement System of Texas (TRS), and the Texas Public School Employees Group to expand their use of prior authorization for drugs not on their formulary, particularly for gastrointestinal drugs, cholesterol-lowering drugs, anti-inflammatory drugs, antihistamine drugs, and antidepressant drugs.

The bill would require a participant in the ERS group insurance program (UGIP) that chooses to obtain a prescription through a retail pharmacy or method other than by mail order pay a deductible, co-payment, or other cost-sharing obligation that covers the additional cost of obtaining the

prescription drug through that method as compared to mail order.

Under the bill, the ERS may not offer a coverage plan for prescription smoking cessation drugs at a lower benefit level than is provided for other prescription drugs.

Methodology

The Comptroller of Public Accounts (CPA) stated the estimated fiscal impact of this bill reflects assumptions based on fiscal year 2002 law and practice. To the extent that those assumptions no longer apply, the fiscal impact could change. The CPA based their cost estimates on the following assumptions: (1) To achieve the savings identified, the affected agency appropriations would have to be reduced accordingly (2) The estimates for fiscal year 2004 assume that the Teacher Retirement System of Texas (TRS) would phase in the expansion of prior authorization over six months. (3) The estimate reduces TRS savings by 10 percent to account for increased administrative costs. Fifty-nine percent of Employees Retirement System of Texas (ERS) savings would accrue to the General Revenue Fund, and the remaining 41 percent to other funds. All TRS savings would accrue to the General Revenue Fund. (4) This bill would apply the same requirements to the Texas Public School Employees Group. However, data are not available to estimate the savings from the Texas Public School Employees Group.

The benefit design changes implemented by ERS on May 1, 2003 to keep plan costs within the reduced level of revenue available for state contributions, required participants to use mail order to fill all prescriptions for maintenance medications. The provision in this bill provides plan participants some flexibility without reducing the savings needed to keep plan costs within available revenue in fiscal year 2003 and the 2004-05 biennium.

Since the language is permissive, no additional cost is expected to result from the smoking cessation prescription drug benefit.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System, 454 Department of Insurance, 304 Comptroller of Public Accounts, 323 Teacher Retirement System

LBB Staff: JK, EB, RR, JO, MS, ZS