

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

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

**April 30, 2003**

**TO:** Honorable Bill Ratliff, Chair, Senate Committee on State Affairs

**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 Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1173, As Introduced: a positive impact of \$23,248,000 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	\$7,749,000
2005	\$15,499,000
2006	\$15,499,000
2007	\$15,499,000
2008	\$15,499,000

**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	\$7,749,000	\$2,136,000
2005	\$15,499,000	\$4,270,000
2006	\$15,499,000	\$4,270,000
2007	\$15,499,000	\$4,270,000
2008	\$15,499,000	\$4,270,000

**Fiscal Analysis**

The bill would implement recommendation C in HHS 8 from the Comptroller's e-Texas report, Limited Government, Unlimited Opportunity.

The bill would require 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.

**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.

Cost estimates are derived from the CPA's 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 Employees Retirement System of Texas (ERS) the Teacher Retirement System of Texas (TRS) would phase in the expansion of prior authorization over six months. This amount of time should be more than adequate because both agencies have a contract with a pharmacy benefit manager that has experience with prior authorization.
3. The estimate reduces ERS and TRS savings by 10 percent to account for increased administrative costs. Fifty-nine percent of ERS savings would accrue to the General Revenue Fund 0001, and the remaining 41 percent to other funds. All TRS savings would accrue to Fund 0001.
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.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

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