

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 20, 2005

TO: Honorable Dianne White Delisi, Chair, House Committee on Public Health

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB2500 by Uresti (Relating to the authority of certain state agencies to purchase prescription drugs and other medications jointly with other states.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2500, As Introduced: a positive impact of \$17,561,181 through the biennium ending August 31, 2007.

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
2006	\$5,626,901
2007	\$11,934,280
2008	\$14,328,381
2009	\$17,194,058
2010	\$20,632,569

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>Vendor Drug Rebates-Sup Rebates 8081</i>	Probable (Cost) from <i>Vendor Drug Rebates-Sup Rebates 8081</i>	Probable Savings from <i>GR MATCH FOR MEDICAID 758</i>
2006	\$5,626,901	(\$5,626,901)	\$5,626,901
2007	\$11,934,280	(\$11,934,280)	\$11,934,280
2008	\$14,328,381	(\$14,328,381)	\$14,328,381
2009	\$17,194,058	(\$17,194,058)	\$17,194,058
2010	\$20,632,869	(\$20,632,869)	\$20,632,569

Fiscal Analysis

The bill would authorize the Health and Human Services Commission (HHSC) to enter into agreements with other states for the joint bulk purchasing of prescription drugs for the Medicaid program. The bill would implement a recommendation in the Legislative Budget Board's *Staff Performance Report, State Government Efficiency and Operations Submitted to the 79th Legislature*. Recommendation 2 in the "Consider Establishing a Multi-State Medicaid Drug Purchasing Pool" report suggested requiring HHSC to establish or join a multi-state drug purchasing arrangement contingent on the HHSC's cost-benefit analysis of establishing or joining a pool.

Methodology

It is assumed that drug manufacturers would provide additional supplemental rebates if Texas joined other states to buy medication used in the Medicaid program in bulk. No changes in the operations of the Vendor Drug Programs are assumed as a result of this bill. Based on the estimates HHSC received from its Medicaid Preferred Drug List consultants, it is estimated that the Texas Medicaid Vendor Drug Program would receive 3 percent of the Average Manufactured Price (AMP) in additional supplemental rebates. To estimate the savings from the additional 3 percent rebate, Medicaid drug utilization from the 2nd quarter of the fiscal year 2004 was used. Expenditures for fiscal year 2006 were reduced to reflect the impact from federal Medicare Modernization Act, which establishes Medicare Part D coverage for beneficiaries eligible for both programs - Medicaid and Medicare.

It is assumed that it would take HHSC six months to join or establish a multi-state purchasing pool. Implementation would include receiving federal approval if necessary, identifying states which would be part of bulk purchasing arrangement, and finalizing rebate agreements. Therefore, estimated savings for fiscal year 2006 are adjusted to reflect that the bulk purchasing program would be in operation only for 6 months. The state share of the additional supplemental rebates anticipated to receive from the bulk purchasing agreements with other states in fiscal year 2006 is estimated to be \$5,626,901, and \$11,934,280 in fiscal year 2007. Federal share of the additional supplemental rebates would be returned to the federal government. It is assumed that HHSC would absorb the cost of administering this program within current appropriations.

It is assumed that the increase in supplemental rebates would be appropriated and spent in lieu of GR Match for Medicaid, resulting in a net positive impact to General Revenue Related Funds.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JOB, CL, PP, NB