LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 30, 2005

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

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

IN RE: **SB130** by Nelson (Relating to the provision of health and human services in this state.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB130, Committee Report 1st House, Substituted: a positive impact of $1,995,100 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	$970,568
2007	$1,024,532
2008	$1,025,050
2009	$1,025,050
2010	$1,025,050

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from *VENDOR DRUG REBATES-MEDICAID* 706	Probable Savings from *GR MATCH FOR MEDICAID* 758	Probable Savings from *FEDERAL FUNDS* 555
2006	$582,341	$388,227	$599,126
2007	$614,719	$409,813	$626,900
2008	$615,030	$410,020	$626,693
2009	$615,030	$410,020	$626,693
2010	$615,030	$410,020	$626,693

Section 1 of the bill would amend Section 531.070(1) of the Government Code by adding the requirement that the annual report by the Health and Human Services Commission on preferred drug lists shall include an analysis of the effect of the implementation of the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

Section 2 of the bill would amend Section 531.073(b) of the Government Code by removing the requirement that a drug be considered at a meeting of the Pharmaceutical and Therapeutics Committee (established under Section 531.074) before it is subject to a prior authorization requirement.

Section 3 of the bill would amend Section 531.1021 of the Government Code, relating to subpoenas under the Office of Inspector General at the Health and Human Services Commission. The

amendment provides for the release of information contained in a closed fraud and abuse investigative case file to be released if the case has been resolved by settlement, unless disclosure is otherwise prohibited by law.

Section 4 of the bill would require the Department of State Health Services to appoint an advisory committee to provide assistance to the State Health Council regarding coordinated school health programs and services. The bill specifies that the committee must include one representative of the Department of Agriculture and one representative of the Texas Education Agency. Section 8 would require rules to be adopted to establish the School Health Advisory Committee by January 1, 2006.

Section 5 of the bill would amend Section 604.154(a) of the Occupations Code to define the renewal period during which a respiratory care practitioner may obtain continuing education hours to be one year.

Section 7 would abolish the Interagency Council on Pharmaceuticals Bulk Purchasing on the effective date of the act. Section 6 would repeal references to the Interagency Council in the Health and Safety Code.

The bill would be effective immediately with a two-thirds vote of the members of each house, otherwise on September 1, 2005.

Fiscal Analysis

Section 1: There are no significant fiscal implications for Section 1, but there may be workload implications.

Section 2: This provision may allow HHSC to achieve greater savings for the Medicaid Preferred Drug List (PDL) by requiring new prescription drugs to be immediately prior authorized. Currently, a new drug can not be subject to a prior authorization requirement before it has been reviewed by the Pharmaceutical and Therapeutics (P&T) Committee. The removal of the requirement for P&T Committee review of drugs means that drugs could immediately be subject to a prior authorization requirement. This would result in fewer prescriptions for these drugs, and greater "market shift" savings. The savings result from more prescriptions for drugs on the PDL, and fewer prescriptions for drugs not on the PDL. Drugs are included on the PDL for a variety of reasons, including clinical efficacy and best price. In addition, manufacturers of drugs on the PDL provide supplemental rebates to the state and federal government.

Section 3: There are no significant fiscal implications for Section 3, but there may be workload implications.

Section 4: There are no significant fiscal implications for Section 4, but there may be workload implications.

Section 5: There are no significant fiscal implications for Section 5.

Sections 6 and 7: There are no significant fiscal implications for these sections.

Methodology

The fiscal impact of the bill results from both anticipated savings and anticipated revenue at the Health and Human Services Commission. The fiscal impact is calculated as 1% of the projected savings from the Preferred Drug List (PDL). Of this total, it is estimated that 40% comes from market shift savings and that 60% of the impact comes from vendor drug rebates.

Savings: The impact of market shift, which means that fewer prescriptions would be written for drugs that are not on the PDL because of the prior authorization requirements, results in more prescriptions written from the PDL. This shift results in savings in the Medicaid Vendor Drug Program, estimated to be $388,277 General Revenue and $599,126 Federal Funds in fiscal year 2006.

Revenue: The increase in anticipated PDL prescriptions results in higher Vendor Drug Rebates from drug manufacturers whose products are on the PDL. The state share of these funds are included above, and estimated to be $582,341 General Revenue in fiscal year 2006.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission, 537 Department of State Health Services

LBB Staff: JOB, BW, CL, KF, MB