LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 30, 2005

TO: Honorable Robert Duncan, Chair, Senate Committee on State Affairs

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

IN RE: **SB719** by Deuell (Relating to the operation of mail order prescription plans for certain public employees and retirees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB719, As Introduced: a negative impact of ($38,430,000) 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	($18,400,000)
2007	($20,030,000)
2008	($20,030,000)
2009	($20,030,000)
2010	($20,030,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *GENERAL REVENUE FUND* 1	Probable (Cost) from *OTHER SPECIAL STATE FUNDS* 998	Probable (Cost) from *STATE HIGHWAY FUND* 6	Probable (Cost) from *GR DEDICATED ACCOUNTS* 994
2006	($18,400,000)	($60,000)	($1,980,000)	($720,000)
2007	($20,030,000)	($60,000)	($1,980,000)	($720,000)
2008	($20,030,000)	($60,000)	($1,980,000)	($720,000)
2009	($20,030,000)	($60,000)	($1,980,000)	($720,000)
2010	($20,030,000)	($60,000)	($1,980,000)	($720,000)

Fiscal Year	Probable (Cost) from *FEDERAL FUNDS* 555
2006	($2,400,000)
2007	($2,400,000)
2008	($2,400,000)
2009	($2,400,000)
2010	($2,400,000)

Fiscal Analysis

The bill adds new Sections 1551.2195, 1575,169, and 1579.107 to the Texas Insurance Code.

The bill would result in a $24 million increase for the biennium for the Employees Retirement System, of which $15.1 million is General Revenue-Related costs to the state of Texas.

The bill would result in an $24.7 million increase for the biennium for the Teachers Retirement System, in General Revenue costs to the state of Texas.

Methodology

The bill would prohibit the current pharmacy benefit manager for ERS from referring a participant to the mail order prescription plan currently in operation with the Employees Retirement System.

Methodology used by the Employees Retirement System is based on actual bids from a vendor during the Fall 2004 prescription drug plan renewal process. The costs for the fiscal note are based on costs to offer prescription drugs to members without a mail order prescription plan. This cost estimate does not factor in increases in enrollment, utilization, or the price increase of drugs that are no longer offered in a centralized location (mail-order).

The bill would prohibit the current pharmacy benefit manager for TRS from referring a participant to the mail order prescription plan currently in operation with the Teacher Retirement System.

The methodology used by the Teacher Retirement System is projected by the TRS actuary, Gabriel, Roeder, Smith & Company, based on information provided by current pharmacy benefit managers serving the TRS-Care plan (retirees) and the TRS-ActiveCare plan (active employees).

Program costs for TRS-Care are shared between the state and participants. For the the purposes of this estimate, it is assumed that $24.7 million of the increased cost in 2006-07 associated with the provisions of the bill would be funded by the state through General Revenue. An additional $42.7 million in TRS-Care costs would be borne by participants through cost-sharing (copays and coinsurance). The entire increase in cost to TRS-ActiveCare associated with the provisions of the bill, $13.4 million in 2006-07, would be borne by participants.

The bill takes effect September 1, 2005.

Technology

No impact to technology resources is anticipated from implementation of this bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System

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