

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 6, 2005

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

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

IN RE: SB1212 by West, Royce (Relating to prescription drugs under the Medicaid vendor drug program and other state health and human services programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1212, As Introduced: a negative impact of (\$27,968,379) 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	(\$13,572,702)
2007	(\$14,395,677)
2008	(\$17,297,956)
2009	(\$20,774,845)
2010	(\$24,950,588)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GR MATCH FOR MEDICAID</i> 758	Probable (Cost) from <i>VENDOR DRUG REBATES-MEDICAID</i> 706	Probable (Cost) from <i>FEDERAL FUNDS</i> 555	Probable Revenue Gain/(Loss) from <i>Vendor Drug Rebates- Sup Rebates</i> 8081
2006	(\$6,575,414)	(\$1,784,934)	(\$12,901,983)	(\$5,212,354)
2007	(\$6,974,111)	(\$1,893,163)	(\$13,564,485)	(\$5,528,403)
2008	(\$8,380,146)	(\$2,274,839)	(\$16,825,558)	(\$6,642,971)
2009	(\$10,064,555)	(\$2,732,082)	(\$19,558,955)	(\$7,978,208)
2010	(\$12,087,530)	(\$3,281,230)	(\$23,490,305)	(\$9,581,828)

Fiscal Analysis

Section 1 of the bill would add items to the list the Health and Human Services Commission (HHSC) must consider in the placement of a drug on a preferred drug list in the Medicaid program, including cost offsets to the state and cost savings to local governments, and the overall costs to the public of excluding a drug from the list.

Section 2 of the bill would require HHSC to establish guidelines for the provision of a 72 hour supply of a drug under certain conditions and require HHSC to reimburse a pharmacy complying with the guidelines for dispensing the drug. The bill would provide that prior authorization for a drug be valid for a calendar year or for a longer period as provided by HHSC.

Section 3 defines "rescue medications" as drugs used in treating a patient with an illness or condition that is chronic, life-threatening, and requires complex medical management strategies to provide quick relief from acute symptoms of that condition or illness. The bill requires that prior authorization requirements would not apply to medications if 1) the medication is a "rescue medication" prescribed by a physician and 2) the manufacturer agrees to pay a supplemental rebate. If a "rescue medication" does not qualify for exemption from prior authorization under those conditions, the bill would prohibit HHSC from adopting rules or establishing policies that would require a patient to fail to improve on or to respond negatively on another medication prior to granting authorization for the medication if the prescribing physician deems that the rescue medication in question is appropriate.

Section 4 adds consideration of a patient's quality of life and the considerations mentioned in Section 1 to items the Pharmaceutical and Therapeutics Committee consider in recommendations relating to preferred drug lists.

Methodology

According to HHSC, Sections 1, 2, and 4 collectively would have the effect of reducing projected savings related to the Preferred Drug List savings by approximately five percent. HHSC states that there would be costs associated with quantifying items not currently quantified and that the related evaluation processes would slow down the PDL review process, resulting in the reduced savings (costs).

According to HHSC, Section 3 would have the result of effectively exempting certain drugs defined as "rescue medications" from the PDL prior authorization process, resulting in a loss of projected PDL savings of approximately 10 percent per year of previously projected savings. In addition, HHSC projects a loss of supplemental rebate revenues due to this exemption of certain medications. The loss of rebates would represent a loss of 10 percent of projected supplemental rebates.

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

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