

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 7, 2005

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

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

IN RE: SB1324 by Armbrister (Relating to the delivery of prescription drugs by mail order.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1324, As Introduced: a negative impact of (\$64,864,776) through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2006 | (\$30,673,240) |
| 2007 | (\$34,191,536) |
| 2008 | (\$36,310,112) |
| 2009 | (\$38,612,912) |
| 2010 | (\$41,192,048) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1 | Probable (Cost) from <i>STATE HIGHWAY</i> <i>FUND</i> 6 | Probable (Cost) from <i>OTHER SPECIAL</i> <i>STATE FUNDS</i> 998 | Probable (Cost) from <i>GR DEDICATED</i> <i>ACCOUNTS</i> 994 |
|-------------|---|---|--|--|
| 2006 | (\$30,673,240) | (\$5,532,780) | (\$167,660) | (\$2,011,920) |
| 2007 | (\$34,191,536) | (\$6,079,392) | (\$184,224) | (\$2,210,688) |
| 2008 | (\$36,310,112) | (\$6,692,664) | (\$202,808) | (\$2,433,696) |
| 2009 | (\$38,612,912) | (\$7,359,264) | (\$223,008) | (\$2,676,096) |
| 2010 | (\$41,192,048) | (\$8,105,856) | (\$245,632) | (\$2,947,584) |

| Fiscal Year | Probable (Cost) from <i>FEDERAL FUNDS</i> 555 |
|-------------|--|
| 2006 | (\$6,706,400) |
| 2007 | (\$7,368,960) |
| 2008 | (\$8,112,320) |
| 2009 | (\$8,920,320) |
| 2010 | (\$9,825,280) |

Fiscal Analysis

The bill would prohibit a health plan, including the state plans, Employees Retirement System and Teacher Retirement System, from requiring its members to purchase prescription drugs or services exclusively from a mail order pharmacy.

The bill prohibits a plan from discriminating between pharmacies based on whether the pharmacy is a mail order or a community pharmacy. The bill prohibits a plan from limiting drug quantities or requiring an enrollee to pay a different copay, coinsurance or deductible for a retail pharmacy or mail-order pharmacy. The health benefit plan shall offer all pharmacies the same conditions and terms of participation and would not prohibit a qualified pharmacy from participating in the plans' pharmacy network if the pharmacy meets all the conditions and terms of participation in the network.

Methodology

The bill eliminates the price break features relating to mail order. To calculate the cost of the bill, the ERS actuaries used the detailed prescription claim file from the ERS pharmacy benefit manager (PBM) to calculate what the cost would be if the mail order price break features were no longer available. The ERS consulting actuary projects additional costs for plan members totaling \$16.7 million for 2006-07.

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, 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.

Technology

No impact to technology resources is antiipated from implementation of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System, 454 Department of Insurance

LBB Staff: JOB, SR, JRO, JW, MS