

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**April 25, 2005**

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

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

**IN RE: SB1581** by Zaffirini (Relating to the creation of a state pharmacy assistance program for certain beneficiaries of state and local funded programs.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1581, As Introduced: a positive impact of \$7,519,604 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	\$3,225,198
2007	\$4,294,406
2008	\$4,294,406
2009	\$4,294,406
2010	\$4,294,406

**All Funds, Five-Year Impact:**

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Savings from <i>GENERAL REVENUE FUND</i> 1
2006	(\$4,856,604)	\$8,081,802
2007	(\$3,787,396)	\$8,081,802
2008	(\$3,787,396)	\$8,081,802
2009	(\$3,787,396)	\$8,081,802
2010	(\$3,787,396)	\$8,081,802

**Fiscal Analysis**

The bill would require the Health and Human Services Commission (HHSC) to establish a state pharmacy assistance program (SPAP) for individuals eligible for mental health and mental retardation services, the Indigent Health Care program, or the Primary Health Care program. Prescription drugs provided through the SPAP would be funded with General Revenue or local funds. Up front discounts would be required. The bill would authorize HHSC to contract with a private entity to negotiate with labelers and manufacturers.

**Methodology**

It is assumed that the provision of services to eligible mental health, mental retardation, and Primary Health Care clients would not result in an expansion of prescription drug services available to those

populations but would possibly change the delivery mechanism of services (shift to the SPAP). It is assumed that the SPAP would result in the provision of prescription drug services to clients in the indigent health care program. According to the Department of State Health Services (DSHS), 5,470 clients were served with state dollars in 2004. It is assumed that 5,470 clients would be served in the SPAP each year at an average cost of approximately \$400 per client per year. This would total an estimated \$2.1 million in General Revenue in fiscal year 2006 and would total \$2.3 million in subsequent years. If the program were assumed to provide prescription drug services to all clients served in the indigent health care program, costs would be significantly higher.

DSHS estimates annual General Revenue savings of \$7,985,624 on prescription drug expenditures for children and adults receiving community mental health services. This assumes a cost savings of 13 percent, which represents the average rebate savings experienced in the Kidney Health Care SPAP. According to DSHS, federal guidelines may not allow for the designation of the community mental health program as a SPAP because federal funding is available for the program's prescription drug expenditures. DSHS also indicates that including prescription drugs for individuals receiving community mental health services in a SPAP could result in the loss of federal mental health block grant funds due to maintenance of effort requirements.

No savings or costs are assumed for prescription drug expenditures for individuals receiving mental retardation services in the community. The Department of Aging and Disability Services (DADS) is unable to estimate the amount of General Revenue or local funds expended on these prescription drugs. DADS indicates that these expenditures are likely minimal.

DSHS estimates annual General Revenue savings of \$96,178 on prescription drug expenditures in the Primary Health Care program, assuming five percent savings. DSHS indicates that discounts are currently negotiated with pharmacies under the Primary Health Care program and that it is unknown whether additional savings could be achieved under a SPAP.

HHSC estimates an annual cost of \$1,500,000 in General Revenue to contract for the negotiation of discounts with labelers and manufacturers, based on the cost to negotiate rebates under the Medicaid Preferred Drug List. The actual cost may depend on the volume and types of prescription drugs included in the program.

The bill could potentially impact other programs, however estimates have not been prepared at this time. It is assumed that the bill would take effect September 1, 2005, if it did not receive the vote necessary for immediate effect.

## **Technology**

HHSC estimates start-up programming and automation costs of \$1,300,000 in General Revenue in fiscal year 2006.

## **Local Government Impact**

The bill could result in savings to counties if prescription drugs currently paid for by counties are covered under the state pharmacy assistance program.

**Source Agencies:** 515 Board of Pharmacy, 529 Health and Human Services Commission, 537 Department of State Health Services, 539 Department of Aging and Disability Services

**LBB Staff:** JOB, CL, PP, KF, SSt