

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 21, 2007

TO: Honorable Bill Callegari, Chair, House Committee on Government Reform

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

IN RE: HB3454 by Callegari (Relating to contracts between governmental entities and pharmacy benefit managers.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill relates to the treatment of pharmacy benefit manager (PBM) contracts with the Health and Human Services Commission (HHSC), Department of State Health Services (DSHS), Employee Retirement System (ERS), and Teacher Retirement System (TRS).

REVENUES: 1) The bill would require that certain revenues provided by a pharmaceutical manufacturer to a PBM be "deposited to the credit of the general revenue fund". It is unclear whether these funds would be eligible for appropriation to the respective state agencies. Drug rebates are currently appropriated by the General Appropriations Act to certain agencies for the purpose of operating related drug programs. 2) The Comptroller of Public Accounts indicates that the bill could increase general revenue rebates from the CHIP, Medicaid and other HHSC and DSHS programs, but that the amount of that potential gain can not be estimated.

SAVINGS/COSTS: HHSC indicates that there would be no significant impact until its current PBM contract is renewed or re-procured; that date and the potential fiscal impact have not been estimated by the agency at this time.

ERS indicates that an anticipated reduction in plan cost due to a shift from a discount off the average wholesale price to the wholesale acquisition cost would be offset by a potential increase in the dispensing fee and administrative costs.

TRS indicates that any savings resulting from the bill would be offset by an increase in dispensing fees and administrative costs.

HHSC, ERS, and TRS all indicate that the costs of performing audits of PBMs could be absorbed within existing resources.

DSHS indicates that the bill would have no impact as the agency does not currently contract with a PBM.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 327 Employees Retirement System, 529 Health and Human Services Commission, 537 State Health Services, Department of

LBB Staff: JOB, MN, PP, MB