

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 22, 2009

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

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

IN RE: SB888 by Nelson (Relating to establishing a pill splitting program to reduce health plan costs for certain public employees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB888, As Introduced: a positive impact of \$678,747 through the biennium ending August 31, 2011.

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
2010	\$226,249
2011	\$452,498
2012	\$452,498
2013	\$452,498
2014	\$452,498

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>General Revenue Fund</i> 1	Probable Savings/ (Cost) from <i>GR Dedicated Accounts</i> 994	Probable Savings/ (Cost) from <i>Federal Funds</i> 555	Probable Savings/ (Cost) from <i>Other Special State Funds</i> 998
2010	\$226,249	\$10,481	\$35,984	\$28,473
2011	\$452,498	\$20,962	\$71,968	\$56,946
2012	\$452,498	\$20,962	\$71,968	\$56,946
2013	\$452,498	\$20,962	\$71,968	\$56,946
2014	\$452,498	\$20,962	\$71,968	\$56,946

Fiscal Analysis

The bill would implement a recommendation in the Legislative Budget Board (LBB) *Government Effectiveness and Efficiency Report* entitled, "Establish Pill-Splitting Programs to Contain State Employee Health Plan Costs and Reduce Out-of-pocket Expenses."

The bill would amend the Insurance Code to require the state employee health plans (Employees Retirement System, Teacher Retirement System, UT System, and Texas A&M) to create a voluntary pill-splitting program with a pharmacy co-pay reduction as a participation incentive. Each system would be required to develop and periodically update a list of eligible medications. Annual reporting to the LBB and the governor regarding program design, eligible drugs, participation, and cost savings

would be required. The first report would be due no later than December 1, 2010.

The bill would require individuals who choose to participate in the program to obtain a prescription for an authorized pill from their physician before participation.

The bill would take effect September 1, 2009, or immediately with two-thirds vote of all members.

Methodology

General Revenue Fund savings to all plans are estimated to be \$678,747 for the 2010-2011 biennium. These savings were calculated by LBB staff based on a review of clinical studies and programs in other states which identified 31 medications that appropriate users could safely split to achieve savings. In fiscal year 2007 over 350,000 state employees used these medications. The fiscal impact estimate assumes a participation rate of 7.5 percent for the first year of a pill-splitting program and 15 percent each year thereafter. These participation rates are slightly lower than those experienced by similar programs in other states.

Additional benefits to state employees, in the form of 50 percent reductions in pharmacy co-pay amounts, could exceed \$1 million annually. Lesser co-pay reductions would still result in savings to state employees.

The affected state health plans reported that they could implement this recommendation using existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

LBB Staff: JOB, KJG, JI, BH