

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 25, 2011

TO: Honorable John T. Smithee, Chair, House Committee on Insurance

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

IN RE: HB762 by Lozano (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 HB762, As Introduced: a positive impact of \$678,747 through the biennium ending August 31, 2013.

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
2012	\$226,249
2013	\$452,498
2014	\$452,498
2015	\$452,498
2016	\$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
2012	\$226,249	\$10,481	\$35,984	\$28,473
2013	\$452,498	\$20,962	\$71,968	\$56,946
2014	\$452,498	\$20,962	\$71,968	\$56,946
2015	\$452,498	\$20,962	\$71,968	\$56,946
2016	\$452,498	\$20,962	\$71,968	\$56,946

Fiscal Analysis

The bill would implement recommendations in the report "Establish Pill-Splitting Programs to Reduce Out-of-Pocket Expenses for State Employees" in the Legislative Budget Board's (LBB) *Government Effectiveness and Efficiency* Report, submitted to the Eighty-second Texas Legislature, 2011.

The bill would amend the Insurance Code to require the state employee health plans (Employees Retirement System, Teacher Retirement System, University of Texas System, and Texas A&M University System) to create voluntary pill-splitting programs with a pharmacy co-pay reduction as a participation incentive.

The bill would also create a committee at the Board of Pharmacy to develop and make available to the state health plans a list of prescription pills eligible for pill splitting. The committee would also develop and distribute to program participants information about how to safely and effectively split an eligible prescription pill and which individuals would be suited to participate in the program.

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

The bill would take effect September 1, 2011.

Methodology

Savings shown above were calculated by LBB staff based on a review of clinical studies and programs in other states which identified 31 medications with a high therapeutic index that could be safely split to achieve savings. A high therapeutic index indicates that a medication will not be toxic if a user takes slightly more than is prescribed but will still be therapeutic if occasionally taken in doses slightly less than prescribed. Actual savings will vary depending on the size of the pill-splitting formulary and participation rates.

This analysis assumed that about 350,000 state employees used these medications. It also assumed a 7.5 percent participation rate in 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.

Out-of-pocket savings to state employees, assuming a 50 percent reduction 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 these recommendations 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, 515 Board of Pharmacy, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

LBB Staff: JOB, KJG, JI, BH