

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 19, 2011

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

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

IN RE: HB3266 by Miller, Sid (Relating to the audit of retail and mail order pharmacy claims of certain public employees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3266, As Introduced: a negative impact of (\$723,000) 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	\$0
2013	(\$723,000)
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2012	\$0
2013	(\$723,000)
2014	\$0
2015	\$0
2016	\$0

Fiscal Analysis

The bill would prescribe additional statutory duties and responsibilities for the State Auditor’s Office (SAO). The SAO would be required to conduct biennial audits of pharmacy claims data for certain public employee prescriptions for a 90-day supply of drugs and submit reports on the claims data for the prescriptions to verify parity between retail and mail order pharmacies of all factors of reimbursement, including average wholesale price and maximum allowable costs. The provisions of the bill specifically relate to the Employees Retirement System and the Teachers Retirement System.

The effective date of the bill is immediate if it receives a vote of two-thirds of all the members elected to each house. Otherwise, the bill takes effect September 1, 2011.

Methodology

It is assumed that:

1. The SAO would incorporate the audit requirements in Bill Sections 1 and 2 into one audit to be performed every odd-numbered fiscal year.
2. 6,000 hours would be required to perform the audit.
3. Due to the technical expertise required to perform the audit, a consultant may be utilized during the first two audits conducted by the SAO.
4. Travel to the pharmacy locations may be required in order to perform the audit.
5. Total costs during fiscal year 2013 are estimated to be \$723,000 and consists of the following:
 - \$384,000 for salaries and wages for 3.8 FTEs,
 - \$150,000 for consultant costs,
 - \$31,680 for travel,
 - \$50,338 for other operating expenses, and
 - \$106,982 for benefits.

In accordance with Government Code 321.013, all additional duties and responsibilities prescribed by the bill would be proposed in the State Auditor's Office annual audit plan for Legislative Audit Committee approval.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 308 State Auditor's Office

LBB Staff: JOB, KJG, MS, JW