

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

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 15, 2015**

**TO:** Honorable John Frullo, Chair, House Committee on Insurance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2618** by Muñoz, Jr. (Relating to the regulation of third-party administrators, including pharmacy benefit managers; expanding the requirement of a certificate of authority to engage in an occupation; adding provisions subject to a criminal penalty.), **As Introduced**

**The bill would result in an indeterminate fiscal impact to the state. The cumulative anticipated impact to the Teacher Retirement System TRS-Care plan is estimated to be \$26.0 million for the state fiscal biennium ending August 31, 2017. However, because of the funding structure of TRS-Care, the impact to the state cannot be determined.**

The bill would establish new restrictions on a pharmacy benefit manager (PBM) in relation to its business with pharmacies, including enrolling or disenrolling a pharmacy from a contract without the prior written agreement of the pharmacy. The bill would not allow a PBM to charge transaction fees for claims, and would not allow a PBM to require a pharmacy's participation in a network or exclude a pharmacy's participation if the pharmacy is eligible. In addition, a PBM would be restricted from requiring or providing incentives for plan participants to use particular pharmacies or pharmacy services.

Based on information provided by the Teacher Retirement System of Texas (TRS), the bill would apply to the two healthcare plans it manages: TRS-Care and TRS-ActiveCare. The TRS fiscal impact estimate assumes that two cost containment features (medical benefit management and exclusive specialty) would be disallowed by the bill, the current co-pay differential between retail and mail would be prohibited, and a PBM would no longer be allowed to charge a transaction fee for a claim submitted electronically. According to TRS, the provisions of the bill would cost TRS-Care \$13.0 million per year.

State law establishes contributions to TRS-Care based on active employee payroll as follows: 1.0 percent state contribution; 0.65 percent active employee contribution; and 0.55 percent school district contribution. TRS-Care costs may be funded by increases in the contribution rates, additional appropriations, or may be absorbed by the plan through member premium increases or plan design changes determined by the TRS Board of Trustees. Costs to the TRS-ActiveCare program are discussed below under Local Government Impact.

Based on the information provided by the Employees Retirement System (ERS), the bill could result in higher administrative costs when ERS enters into its next contract with their pharmacy benefit managers in fiscal year 2018; however, it is assumed that all duties and responsibilities necessary to implement the provisions of the bill could be accomplished within existing resources.

Based on information provided by The University of Texas System Administration, the provisions

of the bill would result in additional costs to the UT System plan related to mail pharmacy service benefits; however, it is assumed these costs would not be significant.

Based on information provided by the Texas A&M University System Administration, it is assumed that all duties and responsibilities necessary to implement the provisions of the bill could be accomplished within existing resources.

Based on information provided by the Texas Department of Insurance, it is assumed that all duties and responsibilities necessary to implement the provisions of the bill could be accomplished within existing resources.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated. However, based on information provided by TRS, the provisions of the bill would result in a cost of \$10.9 million in fiscal year 2016, growing to \$23.9 million in fiscal year 2018, to TRS-ActiveCare, a health benefit plan available to employees of public school districts and charter schools. Increased program costs would be passed along through plan design changes or increased premiums paid by school districts or participating employees. The level of increase may vary by the employee's plan choice within TRS-ActiveCare.

**Source Agencies:** 323 Teacher Retirement System, 327 Employees Retirement System, 454 Department of Insurance, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

**LBB Staff:** UP, AG, AM, PFe, JBi, ER, EMo, ED