

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 20, 2021

TO: Honorable Lois W. Kolkhorst, Chair, Senate Committee on Health & Human Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB18 by Oliverson (Relating to establishment of the prescription drug savings program for certain uninsured individuals.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB18, Committee Report 2nd House, Substituted : an impact of \$0 through the biennium ending August 31, 2023.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill. The Health and Human Services Commission is required to implement a provision of this Act only if the legislature appropriates money specifically for that purpose. If the legislature does not appropriate money specifically for that purpose, the commission may, but are not required to, implement a provision of this Act using other appropriations available for that purpose.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from New Trust Fund Outside of the Treasury</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	(\$36,872,031)	8.4
2023	(\$28,783,920)	8.4
2024	(\$29,035,389)	8.4
2025	(\$28,536,901)	8.4
2026	(\$28,538,462)	8.4

Fiscal Analysis

The bill would amend the Health and Safety Code to require the Health and Human Services Commission (HHSC) to develop and implement a prescription drug savings program that partners with a pharmacy benefit manager (PBM) to make prescription drugs available at a discounted rate to uninsured individuals. The bill would allow HHSC to contract with a third-party administrator or other entity to administer the program. Individuals who are residents of Texas, citizens or lawful permanent residents of the United States, and

uninsured, as determined by HHSC, would be eligible for the program. The bill would also allow HHSC to consider an applicant's financial vulnerability as an additional factor in determining eligibility.

The bill would require HHSC to publish, on the commission's website, all average consumer costs for each prescription drug available through the program.

The bill would require HHSC and the contracted PBM to integrate manufacturer and other third-party patient assistance programs into the program to the extent feasible.

The bill would require HHSC to conduct a community outreach and education campaign to provide information regarding the program.

The bill would establish a trust fund outside of the state treasury for purposes of the program. The fund would consist of: gifts, grants, and donations received for the fund; legislative appropriations; federal money available to be used for the program; and interest, dividends, and other income of the account. HHSC would administer the fund as trustee for the benefit of the program. HHSC would be required to ensure money spent from the fund is cost neutral after collecting prescription drug rebates under the program. The bill would allow HHSC to solicit and accept gifts, grants, and donations for the account.

If, on the fourth anniversary of the program, enrollee cost sharing does not fully fund ongoing costs of administering the program, HHSC would be required to suspend the program and seek legislative approval to continue its operation.

The bill would allow HHSC to implement cost sharing requirements for program enrollees.

The bill would require HHSC to implement fraud prevention and detection procedures for entities involved in the program.

The bill would require HHSC to submit annual reports regarding the program.

The bill would require HHSC to conduct a study on the development and implementation of the prescription drug savings program in providing post-rebate insulin to enrollees and submit the results of the study to the Governor, Lieutenant Governor, Speaker of the House of Representatives, and members of standing committees of the legislature with jurisdiction over HHSC not later than February 14, 2023.

The bill would require HHSC to conduct a study on the development and implementation of the prescription drug savings program in providing to enrollees all of the post-rebate formulary of prescription drugs and submit the results of the study to the Governor, Lieutenant Governor, Speaker of the House of Representatives, and members of standing committees of the legislature with jurisdiction over HHSC not later than February 14, 2025.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Methodology

Based on information provided by HHSC, the agency would need an additional 8.4 FTEs in each fiscal year to implement the provisions of the bill. The estimated cost for the additional FTEs is \$1.1 million in fiscal year 2022 and \$1.0 million in each subsequent year.

Several technology projects would have to be undertaken in order to implement the provisions of the bill, including: \$19.0 million in fiscal year 2022, and \$16.0 million in subsequent years, to implement a pharmacy infrastructure to process claims, rebates, and prior authorizations and conduct utilization review; \$2.0 million in fiscal year 2022 to implement provider enrollment technology; \$1.6 million in fiscal year 2022 to modify the Texas Integrated Eligibility Redesign System (TIERS); and \$0.9 million in fiscal year 2022 to modify the Eligibility Support Technology (EST).

According to HHSC, the estimated cost for client enrollment activities, including processing enrollments and managing a call center, is \$11.0 million in each fiscal year.

According to HHSC, the estimated cost of the reports and studies required by the bill is \$1.3 million in fiscal year 2022, \$0.8 million in fiscal year 2023, \$1.0 million in fiscal year 2024, and \$0.5 million in each subsequent year.

The cost of client services would vary depending on the scope of the program. However, one-time investment of funding for the rebateable portion of prescription costs would be required regardless of program scope. After the initial investment, it is assumed subsequent rebate collections would replenish the trust fund and support continued operation of the program. For example, HHSC estimates that coverage of insulin would require a one-time investment of \$147.3 million. Funding for this purpose is not included in the table above.

Based on information provided by the Comptroller of Public Accounts, it is assumed that any administrative costs associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Technology

Estimated technology costs are \$23.5 million in fiscal year 2022 and \$16.0 million in each subsequent year, including: \$19.0 million in fiscal year 2022, and \$16.0 million in subsequent years, to implement a pharmacy infrastructure to process claims, rebates, and prior authorizations and conduct utilization review; \$2.0 million in fiscal year 2022 to implement provider enrollment technology; \$1.6 million in fiscal year 2022 to modify TIERS; \$0.9 million in fiscal year 2022 to modify EST; and less than \$0.1 million in each fiscal year for FTE-related technology costs.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 454 Department of Insurance, 529 Hlth & Human Svcs Comm
LBB Staff: JMc, AKI, JLI, RD, AAL