

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 16, 2021

TO: Honorable Tom Oliverson, Chair, House Committee on Insurance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB907 by Johnson, Julie (Relating to prior authorization for prescription drug benefits related to the treatment of chronic and autoimmune diseases.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB907, As Introduced : a negative impact of (\$34,147,551) 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.

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	(\$34,147,551)
2024	(\$37,562,306)
2025	(\$41,319,270)
2026	(\$45,451,492)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund</i>	<i>Probable Savings/(Cost) from GR Dedicated Accounts</i>	<i>Probable Savings/(Cost) from Other Special State Funds</i>	<i>Probable Savings/(Cost) from State Highway Fund</i>
	<i>1</i>	<i>994</i>	<i>998</i>	<i>6</i>
2022	\$0	\$0	\$0	\$0
2023	(\$34,147,551)	(\$2,640,991)	(\$416,999)	(\$5,096,649)
2024	(\$37,562,306)	(\$2,905,090)	(\$458,698)	(\$5,606,314)
2025	(\$41,319,270)	(\$3,195,656)	(\$504,577)	(\$6,167,055)
2026	(\$45,451,492)	(\$3,515,244)	(\$555,039)	(\$6,783,805)

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from Federal Funds</i>	<i>Probable Savings/(Cost) from School Employees UGIP Trust Fund</i>	<i>Probable Savings/(Cost) from RETIRED SCHOOL EMP GROUP INSURANCE</i>
	<i>555</i>	<i>855</i>	<i>989</i>
2022	\$0	\$0	(\$20,000,000)
2023	(\$4,030,986)	(\$23,000,000)	(\$20,600,000)
2024	(\$4,434,086)	(\$23,700,000)	(\$21,200,000)
2025	(\$4,877,581)	(\$24,400,000)	(\$21,900,000)
2026	(\$5,365,372)	(\$25,100,000)	(\$22,500,000)

Fiscal Analysis

The bill would amend the Insurance Code to prohibit a health benefit plan issuer that provides drug benefits from requiring prior authorization of a prescription drug prescribed to treat a chronic or autoimmune disease. The bill takes effect September 1, 2021 and applies to health plans renewed on or after January 1, 2022.

Methodology

According to the Pharmacy Benefit Administrator at the Employees Retirement System of Texas (ERS), in calendar year (CY) 2020 utilization management programs saved HealthSelect Rx \$52 million due to prior authorization program requirements. The agency assumes \$41 million of the prior authorization savings were attributable to drugs covered by the bill. Increasing this amount to account for the cost of participants enrolled in an HMO as well as increasing pharmacy costs results in an estimated fiscal year 2021 cost of \$45 million. Since the bill only applies to health plans renewed on or after January 1, 2022, it is assumed the bill would have no impact to the Group Benefit Plan (GBP) administered by ERS until fiscal year 2023. The All Funds cost to the state for the GBP is estimated at \$46.3 million in fiscal year 2023. Costs for subsequent years are shown in the tables below. According to ERS, the additional cost to the health plans may result in the need for higher contributions from both the state and plan members depending on actual plan experience and the totality of benefit requirements passed by the Legislature. Any additional contribution increases would be split between the state and plan members at a ratio of 85.4%/14.6%.

Based on the analysis of the Teacher Retirement System (TRS), this analysis assumes that the provision of the bill prohibiting a health benefit plan issuer that provides drug benefits from requiring prior authorization of a prescription drug prescribed to treat a chronic or autoimmune disease, would result in estimated additional costs of \$23.5 million in 2023 to the School Employees Uniform Group Insurance Program Fund 855 (ActiveCare); and costs of \$20.0 million in 2022 and \$20.6 million in 2023 to the Retired School Employee Group Insurance Fund 989 (TRS-Care). TRS-ActiveCare is administered on a fiscal year basis and so analysis assumes costs beginning in 2023; TRS-Care is administered on a calendar year basis and so is assumed to have a cost beginning in 2022. Additional costs would not increase the statutorily-required state contributions to TRS-Care and ActiveCare for the 2022-23 biennium; therefore, no significant fiscal impact to the General Revenue Fund is anticipated. However, the additional costs may result in the need for higher contribution rates from the State, employers, or members to the TRS-Care and ActiveCare programs.

According to the Health and Human Services Commission, removal of prior authorization requirements for drugs treating chronic or autoimmune diseases in Medicaid and Children's Health Insurance Program (CHIP) could result in a significant increase in prescription drug expenditures in the programs. Additionally, the programs could experience a significant loss of revenue earned from vendor drug rebates. While these fiscal impacts to Medicaid and CHIP could be significant, the cost cannot be determined at this time.

Local Government Impact

The fiscal implications of the bill cannot be determined at this time.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System, 454 Department of Insurance, 529 Hlth & Human Svcs Comm, 710 Texas A&M Univ System Admin, 720 UT Sys Admin

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