LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 20, 2021

TO: Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **SB875** by Hancock (Relating to prescription drug price disclosure; authorizing a fee; providing an administrative penalty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB875, As Introduced : 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.

General Revenue-Related Funds, Five- Year Impact:

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

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	*Change in Number of State Employees from FY 2021*
2022	($756,670)	$756,670	3.7
2023	($701,032)	$701,032	3.0
2024	($422,020)	$422,020	3.0
2025	($422,563)	$422,563	3.0
2026	($423,124)	$423,124	3.0

Fiscal Analysis

The bill would amend reporting requirements for pharmaceutical drug manufacturers to require them to report on certain information on prescription drug costs to the Department on State Health Services (DSHS) instead of the Health and Human Services Commission (HHSC). The bill would require DSHS to make the reported information available on a website.

The bill would require pharmaceutical drug manufacturers to submit a fee along with the annual report and allow DSHS to assess administrative penalties against pharmaceutical drug manufacturers who do not submit the required report or fee. The bill would allow the Attorney General to sue to collect the penalty.

Methodology

The analysis assumes DSHS would need 3.0 Full-time Equivalents (FTEs) to implement the reporting requirements, fee collection, and administrative penalties. This includes a data analyst to analyze reports, a program specialist to process enforcement actions, and an attorney to provide legal consultation related to the program.

In addition, DSHS anticipates needing to refer related cases of non-compliance to the State Office of Administrative Hearings (SOAH). DSHS estimates approximately 300 case referrals per year for the first two years after the bill is implemented for a cost of $337,500 per year and 60 cases per year in later years for a cost of $67,500.

The analysis assumes that the fee for pharmaceutical drug manufacturers would be set at a level to cover all program costs and would be deposited to the General Revenue Fund. To cover costs, the analysis assumes the fee would be $252 in fiscal year 2022, $234 in fiscal year 2023, and $141 in later fiscal years for each of the approximately 3,000 pharmaceutical drug manufacturers who would be required to report to DSHS.

HHSC, SOAH, and OAG indicated the provisions of the bill could be implemented within existing resources.

Technology

The analysis assumes there would be technology costs related to staff augmentation of 0.7 FTEs in fiscal year 2022 to configure the Regulatory Automation System. There would also be FTE-related costs including seat management, data center services, and software licenses. The total technology costs would be $137,992 in fiscal year 2022, $51,359 in fiscal year 2023, and $41,819 in later years.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 360 Office Adm Hearings, 529 Hlth & Human Svcs Comm, 537 State Health Services

LBB Staff: JMc, SZ, JLI, NDA, AAL