

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 7, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB25 by Talarico (Relating to wholesale importation of prescription drugs in this state; authorizing a fee.), **As Engrossed**

The fiscal implications of the bill cannot be determined due to uncertainty regarding the potential costs and revenues related to importing prescription drugs.

The bill would require the Health and Human Services Commission (HHSC) to establish a wholesale prescription drug importation program and implement the program by contracting with one or more prescription drug wholesalers and Canadian suppliers to import prescription drugs; developing a registration process for certain entities to obtain imported prescription drugs; providing a public list of imported prescription drugs and prices; establishing an outreach and marketing plan; establishing and administering a telephone call center or electronic portal; ensuring the program complies with federal requirements; and prohibiting the distribution, dispensing or sale of imported prescription drugs outside of Texas.

HHSC would be required to consult with the Office of Attorney General to monitor for anti-competitive behavior in the effected industries.

HHSC would be authorized to impose a fee on each prescription drug sold under the program to fund program administration. HHSC would be required to develop procedures to effectively audit a prescription drug wholesaler participating in the program and would be required to submit an annual report.

The fiscal implications of the bill cannot be determined due to uncertainty regarding the potential costs and revenues related to importing prescription drugs. The bill would add responsibilities to HHSC beyond the agency's current expertise, so the timing and costs of program implementation are not able to be determined.

According to HHSC, the agency would require an additional 25.1 full-time equivalents (FTEs) each fiscal year related to design and implementation of the program at a cost of \$2.8 million in the first fiscal year and \$2.6 million for subsequent fiscal years. FTEs would be required to oversee contracts, ensure compliance with federal regulations, perform audits, market the program, produce an annual report, and complete other requirements of the bill.

According to HHSC, technology costs related to program implementation would be \$1.2 million for Salesforce licenses each fiscal year, \$0.1 million for programming in fiscal year 2024, and less than \$0.1 million for programming in fiscal year 2025.

In addition, HHSC estimates the cost to contract with licensed drug distributors, state drug wholesalers, and Canadian suppliers would be \$19.6 million each fiscal year based on the costs for contracting for the Florida drug importation program scaled to the larger population of Texas.

Costs for acquisition of imported prescription drugs cannot be determined due to the uncertainty around the quantity of prescription drugs that would be eligible for the program and would generate cost savings for Texas consumers. In addition, potential revenue related to the fee per prescription described in the bill cannot be estimated due to uncertainty in prescription drug costs and savings.

Local Government Impact

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

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 529 Health and Human Services Commission, 537 State Health Services, Department of

LBB Staff: JMc, NPe, NDA, ER