

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 22, 2023

TO: Honorable Sam Harless, Chair, House Committee on Health Care Reform, Select

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB25 by Talarico (Relating to wholesale importation of prescription drugs for resale to Texas residents.), **As Introduced**

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 in compliance with federal law. HHSC would be required to design a program to contract with one of more state drug wholesalers to seek federal certification for the program, allow the importation of eligible prescription drugs sold by Canadian suppliers, ensure eligible prescription drugs meet federal standards, import only prescription drugs that would generate substantial savings for Texas consumers, follow federal requirements for importation, prohibit distribution outside of Texas, recommend a charge per prescription to support the program, and include an audit function.

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 required to submit a formal request to the secretary of the United State Department of Health and Human Services for certification of the state's program.

Within six months of receiving federal approval, HHSC would be required to begin operating the program, which includes entering into contracts with state drug wholesalers, licensed drug distributors, and Canadian suppliers; consulting with stakeholders, developing a registration process; providing a public list of imported prescription drugs and prices; creating an outreach and marketing plan; and auditing the program annually.

HHSC would be required to submit an annual report on the program and would be authorized to import prescriptions drugs from countries other than Canada if allowed by federal law.

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, audit the program, 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 and \$0.1 million for programming in both fiscal year 2024 and 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 substantial savings for Texas consumers. In addition, potential revenue related to the charge 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, 529 Health and Human Services Commission, 537 State Health Services, Department of

LBB Staff: JMc, NPe, ER, NDA, CKe