

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 19, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4990 by Bonnen (Relating to the Texas Pharmaceutical Initiative; authorizing fees.), **As Engrossed**

The fiscal implications of the bill cannot be determined due to uncertainty in the costs to implement the components of the Texas Pharmaceutical Initiative and potential savings related to the effects on prescription drug prices.

The governing board of the Texas Pharmaceutical Initiative could refrain from establishing a program or entity under this bill if the board determines that establishment is not feasible with current resources or considering other state-funded programs.

The bill would establish the Texas Pharmaceutical Initiative (the initiative) to provide cost-effective access to prescription drugs and other medical supplies for employees, dependents, and retirees of public higher education systems and institutions, Employees Retirement System members, Teacher Retirement System members, persons confined by the Texas Department of Criminal Justice or the Texas Juvenile Justice Department, recipients of Medicaid, and enrollees of the Children's Health Insurance Program.

The bill would establish a governing board for the initiative (the board) that would be administratively attached to the Health and Human Services Commission. The board would be required to develop and implement the initiative and related programs. It is assumed that there would be significant costs related to staffing and administrative support for the board, but the costs cannot be determined because there is not enough information available on the level of staffing and support that would be required by the board to implement the initiative.

The board would be required to contract for a statewide pharmacy benefit manager to provide cost-effective prescription drugs to state entities served by the initiative; establish and implement a central service center and an associated network of satellite distribution facilities to provide prescription drugs and medical supplies; establish a pharmaceutical advanced preparation facility; and contract to provide advanced health care claims analytics software. The board would be authorized to enter into an agreement to establish a facility providing for the manufacturing of generic biological products and generic drugs. It is assumed that there would be significant costs and potential fee revenue related to the statewide pharmacy benefit manager, the central service center and satellite distribution facilities, the pharmaceutical advanced preparation facility, the analytics software, and the manufacturing of generic drugs, but the costs and revenue cannot be determined due to uncertainty in the scale of the program, related contracting costs, potential fees, and the timeline for implementation.

It is assumed that implementation of the bill could result in a savings to the state due to a decrease in the cost of prescription drugs for entities and organizations served by the initiative, but the potential savings cannot be determined due to the unavailability of data on how the implementation of the initiative would affect prescription drug prices.

The bill would establish the Texas Pharmaceutical Initiative Fund as a trust fund outside the treasury consisting of gifts, grants, and donations; any additional appropriations; and interest, dividends, and other income of the fund. The amount of funding required for the trust fund cannot be estimated.

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 in, with, or outside 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.

Local Government Impact

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

Source Agencies: 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 327 Employees Retirement System, 529 Health and Human Services Commission, 644 Juvenile Justice Department, 696 Department of Criminal Justice, 720 The University of Texas System Administration

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