

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**April 25, 2023**

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

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: SB1137** by Schwertner (Relating to applicability of certain insurance laws to pharmacy benefit managers.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1137, As Introduced : an impact of \$0 through the biennium ending August 31, 2025.

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>
2024	\$0
2025	\$0
2026	\$0
2027	\$0
2028	\$0

**All Funds, Five-Year Impact:**

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from RETIRED SCHOOL EMP GROUP INSURANCE 989</i>	<i>Probable Savings/(Cost) from School Employees UGIP Trust Fund 855</i>
2024	(\$11,000,000)	(\$27,000,000)
2025	(\$12,000,000)	(\$29,000,000)
2026	(\$12,000,000)	(\$31,000,000)
2027	(\$13,000,000)	(\$33,000,000)
2028	(\$14,000,000)	(\$35,000,000)

**Fiscal Analysis**

The bill would require a pharmacy benefit manager to comply with the provisions of Insurance Code Chapter 1369 unless the plan is explicitly excluded from the applicability of the provisions or the Commissioner of Insurance determines the provisions to be inapplicable.

## Methodology

According to the Teacher Retirement System of Texas (TRS), Chapter 1369 of the Insurance Code would apply to TRS-Care and TRS-ActiveCare because both healthcare benefits plans contract with a pharmacy benefit manager to administer the prescription drug benefits of those plans. The agency states that the bill would restrict the agency's ability to make changes that are intended to mitigate rapid cost inflation. Subchapter B would prevent mid-year formulary changes and would create new requirements and restrictions for step therapy. Subchapter E would require the agency to set member cost sharing for all cancer drugs at the same level, which would require the agency to lower cost sharing for certain drugs. Subchapter C would prevent formulary restrictions of contraceptives that are FDA approved. Subchapter I would prevent charging pharmacies claims adjudication fees. Additional costs would not increase the statutorily required state contributions to the TRS-Care and TRS-ActiveCare programs for the 2024-25 biennium; therefore, no significant fiscal impact to the General Revenue Fund is anticipated. However, the additional costs may result in the need for additional contributions from the State, employers, or members to the TRS-Care and TRS-ActiveCare programs.

According to the Employees Retirement System (ERS), the cost impact to the Group Benefits Program (GBP) for the additional coverage required in the bill cannot be determined.

Based on the analysis of the Department of Insurance, Texas A&M University System Administrative & General Offices, and the University of Texas System Administration, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

## Local Government Impact

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 323 Teacher Retirement System, 327 Employees Retirement System, 454 Department of Insurance, 529 Health and Human Services Commission, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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