By: Oliverson H.B. No. 1283

A BILL TO BE ENTITLED

AN ACT

relating to prescription drug formularies applicable to the Medicaid managed care program.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 533.005(a), Government Code, is amended to read as follows:

(a) A contract between a managed care organization and the commission for the organization to provide health care services to recipients must contain:

(1) procedures to ensure accountability to the state for the provision of health care services, including procedures for financial reporting, quality assurance, utilization review, and assurance of contract and subcontract compliance;

(2) capitation rates that:

(A) include acuity and risk adjustment methodologies that consider the costs of providing acute care services and long-term services and supports, including private duty nursing services, provided under the plan; and

(B) ensure the cost-effective provision of quality health care;

(3) a requirement that the managed care organization provide ready access to a person who assists recipients in resolving issues relating to enrollment, plan administration, education and training, access to services, and grievance

procedures;

(4) a requirement that the managed care organization provide ready access to a person who assists providers in resolving issues relating to payment, plan administration, education and training, and grievance procedures;

(5) a requirement that the managed care organization provide information and referral about the availability of educational, social, and other community services that could benefit a recipient;

(6) procedures for recipient outreach and education;

(7) a requirement that the managed care organization make payment to a physician or provider for health care services rendered to a recipient under a managed care plan on any claim for payment that is received with documentation reasonably necessary for the managed care organization to process the claim:

(A) not later than:

(i) the 10th day after the date the claim is received if the claim relates to services provided by a nursing facility, intermediate care facility, or group home;

(ii) the 30th day after the date the claim is received if the claim relates to the provision of long-term services and supports not subject to Subparagraph (i); and

(iii) the 45th day after the date the claim is received if the claim is not subject to Subparagraph (i) or (ii); or

(B) within a period, not to exceed 60 days, specified by a written agreement between the physician or provider

1 and the managed care organization;
2 (7-a) a requirement that the managed care organization
3 demonstrate to the commission that the organization pays claims
4 described by Subdivision (7)(A)(ii) on average not later than the
5 21st day after the date the claim is received by the organization;
6 (8) a requirement that the commission, on the date of a
7 recipient's enrollment in a managed care plan issued by the managed
8 care organization, inform the organization of the recipient's
9 Medicaid certification date;
10 (9) a requirement that the managed care organization
11 comply with Section 533.006 as a condition of contract retention
12 and renewal;
13 (10) a requirement that the managed care organization
14 provide the information required by Section 533.012 and otherwise
15 comply and cooperate with the commission's office of inspector
16 general and the office of the attorney general;
17 (11) a requirement that the managed care
18 organization's usages of out-of-network providers or groups of
19 out-of-network providers may not exceed limits for those usages
20 relating to total inpatient admissions, total outpatient services,
21 and emergency room admissions determined by the commission;
22 (12) if the commission finds that a managed care
23 organization has violated Subdivision (11), a requirement that the
24 managed care organization reimburse an out-of-network provider for
25 health care services at a rate that is equal to the allowable rate
26 for those services, as determined under Sections 32.028 and
27 32.0281, Human Resources Code;

1 (13) a requirement that, notwithstanding any other
2 law, including Sections 843.312 and 1301.052, Insurance Code, the
3 organization:
4 (A) use advanced practice registered nurses and
5 physician assistants in addition to physicians as primary care
6 providers to increase the availability of primary care providers in
7 the organization's provider network; and
8 (B) treat advanced practice registered nurses
9 and physician assistants in the same manner as primary care
10 physicians with regard to:
11 (i) selection and assignment as primary
12 care providers;
13 (ii) inclusion as primary care providers in
14 the organization's provider network; and
15 (iii) inclusion as primary care providers
16 in any provider network directory maintained by the organization;
17 (14) a requirement that the managed care organization
18 reimburse a federally qualified health center or rural health
19 clinic for health care services provided to a recipient outside of
20 regular business hours, including on a weekend day or holiday, at a
21 rate that is equal to the allowable rate for those services as
22 determined under Section 32.028, Human Resources Code, if the
23 recipient does not have a referral from the recipient's primary
24 care physician;
25 (15) a requirement that the managed care organization
26 develop, implement, and maintain a system for tracking and
27 resolving all provider appeals related to claims payment, including

a process that will require:

(A) a tracking mechanism to document the status and final disposition of each provider's claims payment appeal;

(B) the contracting with physicians who are not network providers and who are of the same or related specialty as the appealing physician to resolve claims disputes related to denial on the basis of medical necessity that remain unresolved subsequent to a provider appeal;

(C) the determination of the physician resolving the dispute to be binding on the managed care organization and provider; and

(D) the managed care organization to allow a provider with a claim that has not been paid before the time prescribed by Subdivision (7)(A)(ii) to initiate an appeal of that claim;

(16) a requirement that a medical director who is authorized to make medical necessity determinations is available to the region where the managed care organization provides health care services;

(17) a requirement that the managed care organization ensure that a medical director and patient care coordinators and provider and recipient support services personnel are located in the South Texas service region, if the managed care organization provides a managed care plan in that region;

(18) a requirement that the managed care organization provide special programs and materials for recipients with limited English proficiency or low literacy skills;

1 (19) a requirement that the managed care organization
2 develop and establish a process for responding to provider appeals
3 in the region where the organization provides health care services;
4 (20) a requirement that the managed care organization:
5 (A) develop and submit to the commission, before
6 the organization begins to provide health care services to
7 recipients, a comprehensive plan that describes how the
8 organization's provider network complies with the provider access
9 standards established under Section 533.0061;
10 (B) as a condition of contract retention and
11 renewal:
12 (i) continue to comply with the provider
13 access standards established under Section 533.0061; and
14 (ii) make substantial efforts, as
15 determined by the commission, to mitigate or remedy any
16 noncompliance with the provider access standards established under
17 Section 533.0061;
18 (C) pay liquidated damages for each failure, as
19 determined by the commission, to comply with the provider access
20 standards established under Section 533.0061 in amounts that are
21 reasonably related to the noncompliance; and
22 (D) regularly, as determined by the commission,
23 submit to the commission and make available to the public a report
24 containing data on the sufficiency of the organization's provider
25 network with regard to providing the care and services described
26 under Section 533.0061(a) and specific data with respect to access
27 to primary care, specialty care, long-term services and supports,

nursing services, and therapy services on the average length of time between:

(i) the date a provider requests prior authorization for the care or service and the date the organization approves or denies the request; and

(ii) the date the organization approves a request for prior authorization for the care or service and the date the care or service is initiated;

(21) a requirement that the managed care organization demonstrate to the commission, before the organization begins to provide health care services to recipients, that, subject to the provider access standards established under Section 533.0061:

(A) the organization's provider network has the capacity to serve the number of recipients expected to enroll in a managed care plan offered by the organization;

(B) the organization's provider network includes:

(i) a sufficient number of primary care providers;

(ii) a sufficient variety of provider types;

(iii) a sufficient number of providers of long-term services and supports and specialty pediatric care providers of home and community-based services; and

(iv) providers located throughout the region where the organization will provide health care services; and

(C) health care services will be accessible to recipients through the organization's provider network to a comparable extent that health care services would be available to recipients under a fee-for-service or primary care case management model of Medicaid managed care;

(22) a requirement that the managed care organization develop a monitoring program for measuring the quality of the health care services provided by the organization's provider network that:

(A) incorporates the National Committee for Quality Assurance's Healthcare Effectiveness Data and Information Set (HEDIS) measures or, as applicable, the national core indicators adult consumer survey and the national core indicators child family survey for individuals with an intellectual or developmental disability;

(B) focuses on measuring outcomes; and

(C) includes the collection and analysis of clinical data relating to prenatal care, preventive care, mental health care, and the treatment of acute and chronic health conditions and substance abuse;

(23) [~~subject to Subsection (a-1),~~] a requirement that the managed care organization develop, implement, and maintain an outpatient pharmacy benefit plan for its enrolled recipients:

(A) that, except as provided by Paragraph (L)(ii), exclusively employs the vendor drug program formulary and preserves the state's ability to reduce waste, fraud, and abuse under Medicaid;

1 (B) that adheres to the applicable preferred drug
2 list adopted by the commission under Section 531.072;
3 (C) that, except as provided by Paragraph (L)(i),
4 includes the prior authorization procedures and requirements
5 prescribed by or implemented under Sections 531.073(b), (c), and
6 (g) for the vendor drug program;
7 (C-1) that does not require a clinical,
8 nonpreferred, or other prior authorization for any antiretroviral
9 drug, as defined by Section 531.073, or a step therapy or other
10 protocol, that could restrict or delay the dispensing of the drug
11 except to minimize fraud, waste, or abuse;
12 (C-2) that does not require prior authorization
13 for a nonpreferred antipsychotic drug prescribed to an adult
14 recipient if the requirements of Section 531.073(a-3) are met;
15 (D) for purposes of which the managed care
16 organization:
17 (i) may not negotiate or collect rebates
18 associated with pharmacy products on the vendor drug program
19 formulary; and
20 (ii) may not receive drug rebate or pricing
21 information that is confidential under Section 531.071;
22 (E) that complies with the prohibition under
23 Section 531.089;
24 (F) under which the managed care organization may
25 not prohibit, limit, or interfere with a recipient's selection of a
26 pharmacy or pharmacist of the recipient's choice for the provision
27 of pharmaceutical services under the plan through the imposition of

1 different copayments;
2 (G) that allows the managed care organization or
3 any subcontracted pharmacy benefit manager to contract with a
4 pharmacist or pharmacy providers separately for specialty pharmacy
5 services, except that:
6 (i) the managed care organization and
7 pharmacy benefit manager are prohibited from allowing exclusive
8 contracts with a specialty pharmacy owned wholly or partly by the
9 pharmacy benefit manager responsible for the administration of the
10 pharmacy benefit program; and
11 (ii) the managed care organization and
12 pharmacy benefit manager must adopt policies and procedures for
13 reclassifying prescription drugs from retail to specialty drugs,
14 and those policies and procedures must be consistent with rules
15 adopted by the executive commissioner and include notice to network
16 pharmacy providers from the managed care organization;
17 (H) under which the managed care organization may
18 not prevent a pharmacy or pharmacist from participating as a
19 provider if the pharmacy or pharmacist agrees to comply with the
20 financial terms and conditions of the contract as well as other
21 reasonable administrative and professional terms and conditions of
22 the contract;
23 (I) under which the managed care organization may
24 include mail-order pharmacies in its networks, but may not require
25 enrolled recipients to use those pharmacies, and may not charge an
26 enrolled recipient who opts to use this service a fee, including
27 postage and handling fees;

1 (J) under which the managed care organization or
2 pharmacy benefit manager, as applicable, must pay claims in
3 accordance with Section 843.339, Insurance Code;
4 (K) under which the managed care organization or
5 pharmacy benefit manager, as applicable:
6 (i) to place a drug on a maximum allowable
7 cost list, must ensure that:
8 (a) the drug is listed as "A" or "B"
9 rated in the most recent version of the United States Food and Drug
10 Administration's Approved Drug Products with Therapeutic
11 Equivalence Evaluations, also known as the Orange Book, has an "NR"
12 or "NA" rating or a similar rating by a nationally recognized
13 reference; and
14 (b) the drug is generally available
15 for purchase by pharmacies in the state from national or regional
16 wholesalers and is not obsolete;
17 (ii) must provide to a network pharmacy
18 provider, at the time a contract is entered into or renewed with the
19 network pharmacy provider, the sources used to determine the
20 maximum allowable cost pricing for the maximum allowable cost list
21 specific to that provider;
22 (iii) must review and update maximum
23 allowable cost price information at least once every seven days to
24 reflect any modification of maximum allowable cost pricing;
25 (iv) must, in formulating the maximum
26 allowable cost price for a drug, use only the price of the drug and
27 drugs listed as therapeutically equivalent in the most recent

1 version of the United States Food and Drug Administration's
2 Approved Drug Products with Therapeutic Equivalence Evaluations,
3 also known as the Orange Book;
4 (v) must establish a process for
5 eliminating products from the maximum allowable cost list or
6 modifying maximum allowable cost prices in a timely manner to
7 remain consistent with pricing changes and product availability in
8 the marketplace;
9 (vi) must:
10 (a) provide a procedure under which a
11 network pharmacy provider may challenge a listed maximum allowable
12 cost price for a drug;
13 (b) respond to a challenge not later
14 than the 15th day after the date the challenge is made;
15 (c) if the challenge is successful,
16 make an adjustment in the drug price effective on the date the
17 challenge is resolved and make the adjustment applicable to all
18 similarly situated network pharmacy providers, as determined by the
19 managed care organization or pharmacy benefit manager, as
20 appropriate;
21 (d) if the challenge is denied,
22 provide the reason for the denial; and
23 (e) report to the commission every 90
24 days the total number of challenges that were made and denied in the
25 preceding 90-day period for each maximum allowable cost list drug
26 for which a challenge was denied during the period;
27 (vii) must notify the commission not later

than the 21st day after implementing a practice of using a maximum allowable cost list for drugs dispensed at retail but not by mail; and

(viii) must provide a process for each of its network pharmacy providers to readily access the maximum allowable cost list specific to that provider; and

(L) under which the managed care organization or pharmacy benefit manager, as applicable:

(i) may not require a prior authorization, other than a clinical prior authorization or a prior authorization imposed by the commission to minimize the opportunity for waste, fraud, or abuse, for or impose any other barriers to a drug that is prescribed to a child enrolled in the STAR Kids managed care program for a particular disease or treatment and that is on the vendor drug program formulary or require additional prior authorization for a drug included in the preferred drug list adopted under Section 531.072;

(ii) must provide for continued access to a drug prescribed to a child enrolled in the STAR Kids managed care program, regardless of whether the drug is on the vendor drug program formulary or, if applicable on or after August 31, 2023, the managed care organization's formulary;

(iii) may not use a protocol that requires a child enrolled in the STAR Kids managed care program to use a prescription drug or sequence of prescription drugs other than the drug that the child's physician recommends for the child's treatment before the managed care organization provides coverage

for the recommended drug; and

(iv) must pay liquidated damages to the commission for each failure, as determined by the commission, to comply with this paragraph in an amount that is a reasonable forecast of the damages caused by the noncompliance;

(24) a requirement that the managed care organization and any entity with which the managed care organization contracts for the performance of services under a managed care plan disclose, at no cost, to the commission and, on request, the office of the attorney general all discounts, incentives, rebates, fees, free goods, bundling arrangements, and other agreements affecting the net cost of goods or services provided under the plan;

(25) a requirement that the managed care organization not implement significant, nonnegotiated, across-the-board provider reimbursement rate reductions unless:

(A) subject to Subsection (a-3), the organization has the prior approval of the commission to make the reductions; or

(B) the rate reductions are based on changes to the Medicaid fee schedule or cost containment initiatives implemented by the commission; and

(26) a requirement that the managed care organization make initial and subsequent primary care provider assignments and changes.

SECTION 2. Section 533.005(a-1), Government Code, is repealed.

SECTION 3. If before implementing any provision of this Act

1 a state agency determines that a waiver or authorization from a
2 federal agency is necessary for implementation of that provision,
3 the agency affected by the provision shall request the waiver or
4 authorization and may delay implementing that provision until the
5 waiver or authorization is granted.
6 SECTION 4. This Act takes effect September 1, 2023.