

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 21, 2013

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1106 by Schwertner (Relating to the use of maximum allowable cost lists under a Medicaid managed care pharmacy benefit plan.), **As Passed 2nd House**

The fiscal implications of the bill cannot be determined at this time, but are expected to have a significant negative impact to General Revenue Funds. HHSC does not have access to the information necessary to estimate the increased cost to Medicaid managed care under the provisions of the bill.

The bill adds new requirements related to outpatient pharmacy benefits provided through Medicaid managed care regarding the use of maximum allowable cost lists. Managed care organizations (MCOs) contracted with the Health and Human Services Commission (HHSC) develop their own reimbursement rates and methodologies for their contracted providers. The maximum allowable cost lists used by MCOs and any subcontracted pharmacy benefit managers are considered proprietary and are not available to HHSC. Without access to the maximum allowable cost lists, HHSC cannot determine the impact of the provisions in the bill related to those lists.

HHSC expects the provisions to increase the amounts MCOs are required to reimburse pharmacy providers under Medicaid managed care resulting in increases to the capitation rates paid to the MCOs, which would have a significant fiscal impact to General Revenue Funds and Federal Funds. Estimated capitation payments under Medicaid managed care total \$2.4 billion in All Funds in fiscal year 2014 and \$2.7 billion in All Funds in fiscal year 2015. Each one percent increase in those capitation payments would increase All Funds expenditures by \$24 million in All Funds, including \$10 million in General Revenue Funds, in fiscal year 2014 and \$27 million in All Funds, including \$11 million in General Revenue Funds, in fiscal year 2015.

Local Government Impact

There could be a significant fiscal impact to units of local government to the extent that they are reimbursed for outpatient prescription drugs through Medicaid managed care and would experience a change in that reimbursement under the provisions of the bill.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: UP, CL, MB, LR, NB