

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 26, 2015

TO: Honorable Myra Crownover, Chair, House Committee on Public Health

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3366** by Sheffield (Relating to the reimbursement of prescription drugs under Medicaid and the child health plan program.), **Committee Report 1st House, Substituted**

The fiscal implications of the bill cannot be determined at this time but a significant cost is anticipated. The bill is expected to result in an average increase to the per prescription cost of reimbursement under Medicaid and the Children's Health Insurance Program (CHIP), which is expected to result in a significant overall cost due to the large number of prescriptions reimbursed under those programs.

The bill would establish a new reimbursement methodology for prescription drugs under Medicaid and the Children's Health Insurance Program (CHIP). The bill would be effective March 1, 2016. The revised methodology would be expected to result in a reduction to reimbursement rates for drug ingredient costs and an increase to drug dispensing fees. The bill requires that the executive commissioner of the Health and Human Services Commission (HHSC) establish a dispensing fee of at least \$6 but does not prevent managed care organizations from paying a dispensing fee exceeding that level nor does it require that savings achieved through reduced drug ingredient costs be at least the amount of increase in dispensing fees. It is expected that the provisions of the bill are likely to result in an overall increase to the per prescription cost of drugs under Medicaid managed care and CHIP because the increase to dispensing fees is likely to exceed the reduction to drug ingredient costs; however, the actual amount of any difference cannot be determined. Due to the large number of prescriptions provided through Medicaid and CHIP (almost 40 million each year), any increase to per prescription costs would have a significant fiscal impact. According to HHSC, an average increase of \$0.25 per prescription would have a cost of approximately \$4.6 million in All Funds, including \$1.8 million in General Revenue Funds, in fiscal year 2016 (partial year implementation) increasing to \$9.6 million in All Funds, including \$3.9 million in General Revenue Funds, in fiscal year 2017 with additional increases in subsequent fiscal years as the number of prescriptions is projected to increase. The increased costs to managed care would be offset by a small savings to Medicaid fee-for-service drug costs where the dispensing fee would likely be reduced from current levels; HHSC estimates this savings to be approximately \$1.3 million All Funds, including \$0.5 million in General Revenue Funds, in fiscal year 2016 declining to \$0.6 million in All Fund, including \$0.2 million in General Revenue Funds, in fiscal year 2017. The decline is due to an expected increase in the number of persons covered under managed care instead of fee-for-service.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: UP, NB, WP, LR, CH