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H.B. No. 1133

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the reimbursement of prescription drugs under Medicaid
3 and the child health plan program.

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

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

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

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

14 (2) capitation rates that ensure the cost-effective
15 provision of quality health care;

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

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

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

5 (6) procedures for recipient outreach and education;

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

11 (A) not later than:

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

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

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

21 (B) within a period, not to exceed 60 days,
22 specified by a written agreement between the physician or provider
23 and the managed care organization;

24 (7-a) a requirement that the managed care organization
25 demonstrate to the commission that the organization pays claims
26 described by Subdivision (7)(A)(ii) on average not later than the
27 21st day after the date the claim is received by the organization;

1 (8) a requirement that the commission, on the date of a
2 recipient's enrollment in a managed care plan issued by the managed
3 care organization, inform the organization of the recipient's
4 Medicaid certification date;

5 (9) a requirement that the managed care organization
6 comply with Section 533.006 as a condition of contract retention
7 and renewal;

8 (10) a requirement that the managed care organization
9 provide the information required by Section 533.012 and otherwise
10 comply and cooperate with the commission's office of inspector
11 general and the office of the attorney general;

12 (11) a requirement that the managed care
13 organization's usages of out-of-network providers or groups of
14 out-of-network providers may not exceed limits for those usages
15 relating to total inpatient admissions, total outpatient services,
16 and emergency room admissions determined by the commission;

17 (12) if the commission finds that a managed care
18 organization has violated Subdivision (11), a requirement that the
19 managed care organization reimburse an out-of-network provider for
20 health care services at a rate that is equal to the allowable rate
21 for those services, as determined under Sections 32.028 and
22 32.0281, Human Resources Code;

23 (13) a requirement that, notwithstanding any other
24 law, including Sections 843.312 and 1301.052, Insurance Code, the
25 organization:

26 (A) use advanced practice registered nurses and
27 physician assistants in addition to physicians as primary care

1 providers to increase the availability of primary care providers in
2 the organization's provider network; and

3 (B) treat advanced practice registered nurses
4 and physician assistants in the same manner as primary care
5 physicians with regard to:

6 (i) selection and assignment as primary
7 care providers;

8 (ii) inclusion as primary care providers in
9 the organization's provider network; and

10 (iii) inclusion as primary care providers
11 in any provider network directory maintained by the organization;

12 (14) a requirement that the managed care organization
13 reimburse a federally qualified health center or rural health
14 clinic for health care services provided to a recipient outside of
15 regular business hours, including on a weekend day or holiday, at a
16 rate that is equal to the allowable rate for those services as
17 determined under Section [32.028](#), Human Resources Code, if the
18 recipient does not have a referral from the recipient's primary
19 care physician;

20 (15) a requirement that the managed care organization
21 develop, implement, and maintain a system for tracking and
22 resolving all provider appeals related to claims payment, including
23 a process that will require:

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

26 (B) the contracting with physicians who are not
27 network providers and who are of the same or related specialty as

1 the appealing physician to resolve claims disputes related to
2 denial on the basis of medical necessity that remain unresolved
3 subsequent to a provider appeal;

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

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

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

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

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

23 (19) a requirement that the managed care organization
24 develop and establish a process for responding to provider appeals
25 in the region where the organization provides health care services;

26 (20) a requirement that the managed care organization:

27 (A) develop and submit to the commission, before

1 the organization begins to provide health care services to
2 recipients, a comprehensive plan that describes how the
3 organization's provider network complies with the provider access
4 standards established under Section 533.0061;

5 (B) as a condition of contract retention and
6 renewal:

7 (i) continue to comply with the provider
8 access standards established under Section 533.0061; and

9 (ii) make substantial efforts, as
10 determined by the commission, to mitigate or remedy any
11 noncompliance with the provider access standards established under
12 Section 533.0061;

13 (C) pay liquidated damages for each failure, as
14 determined by the commission, to comply with the provider access
15 standards established under Section 533.0061 in amounts that are
16 reasonably related to the noncompliance; and

17 (D) regularly, as determined by the commission,
18 submit to the commission and make available to the public a report
19 containing data on the sufficiency of the organization's provider
20 network with regard to providing the care and services described
21 under Section 533.0061(a) and specific data with respect to access
22 to primary care, specialty care, long-term services and supports,
23 nursing services, and therapy services on the average length of
24 time between:

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

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

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

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

11 (B) the organization's provider network
12 includes:

13 (i) a sufficient number of primary care
14 providers;

15 (ii) a sufficient variety of provider
16 types;

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

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

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

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

5 (A) incorporates the National Committee for
6 Quality Assurance's Healthcare Effectiveness Data and Information
7 Set (HEDIS) measures;

8 (B) focuses on measuring outcomes; and

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

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

16 (A) that exclusively employs the vendor drug
17 program formulary and preserves the state's ability to reduce
18 waste, fraud, and abuse under Medicaid;

19 (B) that adheres to the applicable preferred drug
20 list adopted by the commission under Section [531.072](#);

21 (C) that includes the prior authorization
22 procedures and requirements prescribed by or implemented under
23 Sections [531.073](#)(b), (c), and (g) for the vendor drug program;

24 (D) for purposes of which the managed care
25 organization:

26 (i) may not negotiate or collect rebates
27 associated with pharmacy products on the vendor drug program

1 formulary; and

2 (ii) may not receive drug rebate or pricing
3 information that is confidential under Section 531.071;

4 (E) that complies with the prohibition under
5 Section 531.089;

6 (F) under which the managed care organization may
7 not prohibit, limit, or interfere with a recipient's selection of a
8 pharmacy or pharmacist of the recipient's choice for the provision
9 of pharmaceutical services under the plan through the imposition of
10 different copayments;

11 (G) that allows the managed care organization or
12 any subcontracted pharmacy benefit manager to contract with a
13 pharmacist or pharmacy providers separately for specialty pharmacy
14 services, except that:

15 (i) the managed care organization and
16 pharmacy benefit manager are prohibited from allowing exclusive
17 contracts with a specialty pharmacy owned wholly or partly by the
18 pharmacy benefit manager responsible for the administration of the
19 pharmacy benefit program; and

20 (ii) the managed care organization and
21 pharmacy benefit manager must adopt policies and procedures for
22 reclassifying prescription drugs from retail to specialty drugs,
23 and those policies and procedures must be consistent with rules
24 adopted by the executive commissioner and include notice to network
25 pharmacy providers from the managed care organization;

26 (H) under which the managed care organization may
27 not prevent a pharmacy or pharmacist from participating as a

1 provider if the pharmacy or pharmacist agrees to comply with the
2 financial terms and conditions of the contract as well as other
3 reasonable administrative and professional terms and conditions of
4 the contract;

5 (I) under which the managed care organization may
6 include mail-order pharmacies in its networks, but may not require
7 enrolled recipients to use those pharmacies, and may not charge an
8 enrolled recipient who opts to use this service a fee, including
9 postage and handling fees;

10 (J) under which the managed care organization or
11 pharmacy benefit manager, as applicable, must pay claims in
12 accordance with Section 843.339, Insurance Code; and

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

15 (i) must comply with Section 533.00512 as a
16 condition of contract retention and renewal [~~to place a drug on a~~
17 ~~maximum allowable cost list, must ensure that:~~

18 [~~(a) the drug is listed as "A" or "B"~~
19 ~~rated in the most recent version of the United States Food and Drug~~
20 ~~Administration's Approved Drug Products with Therapeutic~~
21 ~~Equivalence Evaluations, also known as the Orange Book, has an "NR"~~
22 ~~or "NA" rating or a similar rating by a nationally recognized~~
23 ~~reference, and~~

24 [~~(b) the drug is generally available~~
25 ~~for purchase by pharmacies in the state from national or regional~~
26 ~~wholesalers and is not obsolete];~~

27 (ii) must provide to a network pharmacy

1 provider, at the time a contract is entered into or renewed with the
2 network pharmacy provider, the sources used to determine the actual
3 acquisition [~~maximum allowable~~] cost (AAC) pricing, other than the
4 sources used to determine the actual acquisition cost (AAC) pricing
5 of drugs obtained under Section 340B, Public Health Service Act (42
6 U.S.C. Section 256b) [~~for the maximum allowable cost list specific~~
7 ~~to that provider~~];

8 (iii) must review and update drug
9 reimbursement [~~maximum allowable cost~~] price information at least
10 once every seven days to reflect any modification of the actual
11 acquisition [~~maximum allowable~~] cost (AAC) pricing or the factors
12 used to determine that pricing;

13 (iv) [~~must, in formulating the maximum~~
14 ~~allowable cost price for a drug, use only the price of the drug and~~
15 ~~drugs listed as therapeutically equivalent in the most recent~~
16 ~~version of the United States Food and Drug Administration's~~
17 ~~Approved Drug Products with Therapeutic Equivalence Evaluations,~~
18 ~~also known as the Orange Book,~~

19 [(v) ~~must establish a process for~~
20 ~~eliminating products from the maximum allowable cost list or~~
21 ~~modifying maximum allowable cost prices in a timely manner to~~
22 ~~remain consistent with pricing changes and product availability in~~
23 ~~the marketplace,~~

24 [(vi)] must:

25 (a) provide a procedure under which a
26 network pharmacy provider may challenge a listed actual acquisition
27 [~~maximum allowable~~] cost (AAC) price for a drug;

1 (b) respond to a challenge not later
2 than the 15th day after the date the challenge is made;

3 (c) if the challenge is successful,
4 make an adjustment in the drug price effective on the date the
5 challenge is resolved, and make the adjustment applicable to all
6 similarly situated network pharmacy providers, as determined by the
7 managed care organization or pharmacy benefit manager, as
8 appropriate;

9 (d) if the challenge is denied,
10 provide the reason for the denial; and

11 (e) report to the commission every 90
12 days the total number of challenges that were made and denied in the
13 preceding 90-day period for each [~~maximum allowable cost list~~] drug
14 for which a challenge was denied during the period; and

15 (v) [~~(vii) must notify the commission not~~
16 ~~later than the 21st day after implementing a practice of using a~~
17 ~~maximum allowable cost list for drugs dispensed at retail but not by~~
18 ~~mail; and~~

19 [(viii)] must provide a process for each of
20 its network pharmacy providers to readily access the drug
21 reimbursement price [~~maximum allowable cost~~] list specific to that
22 provider;

23 (24) a requirement that the managed care organization
24 and any entity with which the managed care organization contracts
25 for the performance of services under a managed care plan disclose,
26 at no cost, to the commission and, on request, the office of the
27 attorney general all discounts, incentives, rebates, fees, free

1 goods, bundling arrangements, and other agreements affecting the
2 net cost of goods or services provided under the plan;

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

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

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

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

15 SECTION 2. Subchapter A, Chapter 533, Government Code, is
16 amended by adding Section 533.00512 to read as follows:

17 Sec. 533.00512. REIMBURSEMENT METHODOLOGY FOR PRESCRIPTION
18 DRUGS. (a) A managed care organization that contracts with the
19 commission under this chapter or a pharmacy benefit manager
20 administering a pharmacy benefit program on behalf of the managed
21 care organization shall reimburse a pharmacy or pharmacist that
22 dispenses a prescribed prescription drug, other than a drug
23 obtained under Section 340B, Public Health Service Act (42 U.S.C.
24 Section 256b), to a recipient for not less than the lesser of:

25 (1) for a drug dispensed by:

26 (A) a retail pharmacy or a pharmacist employed by
27 a retail pharmacy, the average of Texas retail pharmacies' actual

1 acquisition cost (AAC) for the drug, plus a retail professional
2 dispensing fee that is not less than a minimum amount adopted by the
3 executive commissioner under authority of 42 C.F.R. Sections
4 438.6(c)(1)(iii)(A) through (C); or

5 (B) a specialty pharmacy or a pharmacist employed
6 by a specialty pharmacy, the average of Texas specialty pharmacies'
7 actual acquisition cost (AAC) for the drug, plus a specialty
8 pharmacy professional dispensing fee that is not less than a
9 minimum amount adopted by the executive commissioner under
10 authority of 42 C.F.R. Sections 438.6(c)(1)(iii)(A) through (C); or

11 (2) the amount claimed by the pharmacy or pharmacist,
12 including the gross amount due or the usual and customary charge to
13 the public for the drug.

14 (a-1) A managed care organization that contracts with the
15 commission under this chapter or a pharmacy benefit manager
16 administering a pharmacy benefit program on behalf of the managed
17 care organization shall reimburse a pharmacy or pharmacist that
18 dispenses a prescribed prescription drug obtained at a discounted
19 price under Section 340B, Public Health Service Act (42 U.S.C.
20 Section 256b) to a recipient for not less than the reimbursement
21 amount for the drug under the vendor drug program, including a
22 dispensing fee that is not less than the dispensing fee for the drug
23 under the vendor drug program.

24 (b) The methodology adopted by rule by the executive
25 commissioner to determine Texas retail pharmacies' actual
26 acquisition cost (AAC) and Texas specialty pharmacies' actual
27 acquisition cost (AAC) for purposes of Subsection (a) must be

1 consistent with the actual prices Texas pharmacies pay to acquire
2 prescription drugs marketed or sold by a specific manufacturer and
3 must be based on the National Average Drug Acquisition Cost
4 published by the Centers for Medicare and Medicaid Services or
5 another publication approved by the executive commissioner.

6 (c) The executive commissioner shall develop a process for
7 the periodic study of Texas retail pharmacies' actual acquisition
8 cost (AAC) for prescription drugs, Texas specialty pharmacies'
9 actual acquisition cost (AAC) for prescription drugs, retail
10 professional dispensing costs, and specialty pharmacy professional
11 dispensing costs and publish the results of each study on the
12 commission's Internet website.

13 (d) The dispensing fees adopted by the executive
14 commissioner for purposes of:

15 (1) Subsection (a) must be based on, as appropriate:

16 (A) Texas retail pharmacies' professional
17 dispensing costs for retail prescription drugs; or

18 (B) Texas specialty pharmacies' professional
19 dispensing costs for specialty prescription drugs; or

20 (2) Subsection (a-1) must be based on Texas
21 pharmacies' professional dispensing costs for those drugs.

22 (e) Not less frequently than once every two years, the
23 commission shall conduct a study of Texas pharmacies' dispensing
24 costs for retail prescription drugs, specialty prescription drugs,
25 and drugs obtained under Section 340B, Public Health Service Act
26 (42 U.S.C. Section 256b). Based on the results of the study, the
27 executive commissioner shall adjust the minimum amount of the

1 retail professional dispensing fee and specialty pharmacy
2 professional dispensing fee under Subsection (a) and the dispensing
3 fee for drugs obtained under Section 340B, Public Health Service
4 Act (42 U.S.C. Section 256b).

5 SECTION 3. Subchapter D, Chapter 62, Health and Safety
6 Code, is amended by adding Section 62.160 to read as follows:

7 Sec. 62.160. REIMBURSEMENT METHODOLOGY FOR PRESCRIPTION
8 DRUGS. A managed care organization providing pharmacy benefits
9 under the child health plan program or a pharmacy benefit manager
10 administering a pharmacy benefit program on behalf of the managed
11 care organization shall comply with Section 533.00512, Government
12 Code.

13 SECTION 4. Section 32.0462(a), Human Resources Code, is
14 amended to read as follows:

15 (a) Notwithstanding any other provision of state law, the
16 commission shall:

17 (1) use the reimbursement methodology under Section
18 533.00512, Government Code, to determine [~~consider a nationally~~
19 ~~recognized, unbiased pricing standard for prescription drugs in~~
20 ~~determining~~] reimbursement amounts under the vendor drug program;
21 and

22 (2) update reimbursement amounts under the vendor drug
23 program at least weekly.

24 SECTION 5. Section 533.005(a-2), Government Code, is
25 repealed.

26 SECTION 6. If before implementing any provision of this Act
27 a state agency determines that a waiver or authorization from a

1 federal agency is necessary for implementation of that provision,
2 the agency affected by the provision shall request the waiver or
3 authorization and may delay implementing that provision until the
4 waiver or authorization is granted.

5 SECTION 7. This Act takes effect March 1, 2018.