

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 17, 2017

TO: Honorable John Zerwas, Chair, House Committee on Appropriations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1133 by Sheffield (Relating to the reimbursement of prescription drugs under Medicaid and the child health plan program.), **As Introduced**

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, 2018. 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 would require the executive commissioner of the Health and Human Services Commission (HHSC) to develop a process to periodically study Texas pharmacies' actual acquisition costs for prescription drugs and publish the results on HHSC's Internet website. The executive commissioner of HHSC would be required to establish a dispensing fee that is based on Texas pharmacies' dispensing costs. At least every five years, HHSC would be required to study Texas pharmacies' dispensing costs and consider amending the minimum dispensing fee based on the results.

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 38 million in fiscal year 2016), any increase to per prescription costs would have a significant fiscal impact. For example, an average increase of \$0.25 per prescription would have a cost of approximately \$4.7 million in All Funds, including \$2.0 million in General Revenue Funds, in fiscal year 2018 (partial year implementation) increasing to \$9.5 million in All Funds, including \$3.9 million in General Revenue Funds, in fiscal year 2019 with additional increases in subsequent fiscal years as the number of prescriptions is projected to increase.

Local Government Impact

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

Source Agencies: 529 Health and Human Services Commission

LBB Staff: UP, KK, LR, RGU, TBo