

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 24, 2019

TO: Honorable Senfronia Thompson, Chair, House Committee on Public Health

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
 Legislative Budget Board

IN RE: HB3388 by Sheffield (Relating to the reimbursement of prescription drugs under Medicaid and the child health plan program.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3388, Committee Report 1st House, Substituted: a negative impact of (\$8,172,748) through the biennium ending August 31, 2021.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2020 | \$0 |
| 2021 | (\$8,172,748) |
| 2022 | (\$12,824,106) |
| 2023 | (\$13,781,188) |
| 2024 | (\$14,814,915) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from <i>GR Match For Medicaid</i> 758 | Probable Savings/(Cost) from <i>Tobacco Receipts Match For Chip</i> 8025 | Probable Savings/(Cost) from <i>Federal Funds</i> 555 | Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1 |
|-------------|---|--|---|---|
| 2020 | \$0 | \$0 | \$0 | \$0 |
| 2021 | (\$8,293,500) | (\$259,883) | (\$13,457,091) | \$285,476 |
| 2022 | (\$12,992,796) | (\$448,192) | (\$21,809,439) | \$462,661 |
| 2023 | (\$13,962,467) | (\$481,642) | (\$23,437,110) | \$497,191 |
| 2024 | (\$15,009,792) | (\$517,770) | (\$25,195,129) | \$534,485 |

| Fiscal Year | Probable Revenue Gain/(Loss) from Foundation School Fund 193 |
|--------------------|---|
| 2020 | \$0 |
| 2021 | \$95,159 |
| 2022 | \$154,221 |
| 2023 | \$165,730 |
| 2024 | \$178,162 |

Fiscal Analysis

The bill would require the Health and Human Services Commission (HHSC) to mandate that MCOs providing services under Medicaid or the Children's Health Insurance Program (CHIP) reimburse retail and specialty pharmacies a minimum of the lesser of the reimbursement amount for the drug in the vendor drug program, including a dispensing fee that is not less than the dispensing fee under the vendor drug program, or the amount claimed by the pharmacy or pharmacist, including the gross amount due or the usual and customary charge to the public for the drug. The bill would also require MCOs to reimburse pharmacies that dispense a prescription drug at a discounted price under Section 340B of the Public Health Service Act not less than the reimbursement amount for the drug under the vendor drug program, including a dispensing fee that is not less than the dispensing fee under the vendor drug program. The bill would require HHSC to conduct a study of Texas pharmacies' actual acquisition costs and dispensing cost at least every two years. The bill would take effect March 1, 2020.

Methodology

This analysis assumes implementation on January 1, 2021. Based on estimates provided by HHSC, this analysis assumes caseloads of 2,416,365 in fiscal year 2021, 3,993,270 in fiscal year 2022, 4,067,666 in fiscal year 2023, and 4,144,903 in fiscal year 2024, and pharmacy reimbursement that is 0.8 percent higher than under the current reimbursement model.

The net increased client services cost, including amounts for the Health Insurance Providers Fee, is estimated to be \$22.8 million in All Funds, including \$8.6 million in General Revenue, in fiscal year 2021, increasing to \$36.9 million in All Funds, including \$13.4 million in General Revenue, in fiscal year 2022 and continuing to increase to \$42.6 million in fiscal year 2024, including \$15.5 million in General Revenue.

This analysis assumes that any additional administrative costs to the MCOs or MCO pharmacy benefit managers for changes to the reimbursement methodology or to implement the required dispensing fees could be absorbed with existing resources.

The net increases in client services payments through managed care are assumed to result in an increase to insurance premium tax revenue, estimated as 1.75 percent of the increased managed care expenditures; resulting in assumed increased collections of \$0.4 million in fiscal year 2021, \$0.6 million in fiscal year 2022, and \$0.7 million in fiscal year 2023 and fiscal year 2024. Pursuant to Section 227.001(b), Insurance Code, 25 percent of the revenue is assumed to be deposited to the credit of the Foundation School Fund.

Local Government Impact

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

Source Agencies: 529 Health and Human Services Commission

LBB Staff: WP, AKi, EP, MDI