LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION
Revision 1

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 delivery of outpatient prescription drug benefits under certain public benefit programs, including Medicaid and the child health plan program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3388, As Introduced: a negative impact of ($10,203,431) 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	($10,203,431)
2022	($3,536,883)
2023	($1,381,185)
2024	$615,078

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from *GR Match For Medicaid* 758	Probable Savings from *Federal Funds* 555	Probable (Cost) from *GR Match For Medicaid* 758	Probable (Cost) from *Federal Funds* 555
2020	$0	$0	$0	$0
2021	$75,533,604	$119,772,778	($29,267,235)	($30,598,599)
2022	$119,070,153	$188,666,321	($44,118,334)	($45,384,132)
2023	$125,189,258	$198,367,682	($44,568,741)	($45,834,538)
2024	$131,691,687	$208,678,567	($45,402,907)	($46,668,705)

Fiscal Year	Probable (Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *Foundation School Fund* 193
2020	$0	$0	$0
2021	($432,800)	($42,027,750)	($14,009,250)
2022	($409,702)	($58,559,000)	($19,520,000)
2023	($409,702)	($61,194,000)	($20,398,000)
2024	($409,702)	($63,948,000)	($21,316,000)

Fiscal Year	Change in Number of State Employees from FY 2019
2020	0.0
2021	24.3
2022	24.3
2023	24.3
2024	24.3

Fiscal Analysis

The bill would amend Chapter 531 of the Government Code to require HHSC to provide outpatient prescription drug benefits through the vendor drug program using a fee-for-service delivery model to persons receiving benefits under Medicaid, the Children's Health Insurance Program, the kidney health care program, and any other benefit programs administered by HHSC that provide an outpatient prescription drug benefit. The bill would require HHSC to eliminate any obligation to pay fees included in the capitation rate or other amounts paid to managed care organizations (MCOs) associated with the provision of outpatient prescription drug benefits. The bill would require that if HHSC contracts with a claims processor to administer the outpatient prescription drug benefit program, HHSC would reimburse the claims administrator for the prescription drugs and a contracted administrative fee. The bill would require HHSC to consistently apply clinical prior authorization requirements statewide and use prior authorizations to control unnecessary utilization.

The bill would require HHSC to amend each contract with a MCO to prohibit the MCO from providing outpatient prescription drugs by December 31, 2019, and would prohibit an MCO from developing, implementing, or maintaining an outpatient pharmacy benefit plan for recipients beginning on the 180th day after the date HHSC begins providing outpatient prescription drug benefits. The bill would take effect September 1, 2019.

Methodology

This analysis assumes that the carve-out of outpatient prescription drug benefits from managed care would be implemented beginning January 1, 2021. This analysis assumes a 0.0 percent increase in utilization of pharmacy benefits based on provisions of the bill requiring HHSC to utilize prior authorizations to control unnecessary utilization.

Based on estimates provided by HHSC, this analysis assumes savings related to the Health Insurance Providers Fee under the federal Affordable Care Act and related federal income tax of $23,059,322 in General Revenue ($59,624,228 in All Funds) in fiscal year 2021, for which HHSC currently reimburses MCOs. The analysis also assumes other client services-related savings of

$52,474,281 in General Revenue ($135,682,153 in All Funds) in fiscal year 2021, due primarily to reduced expenditures for risk margin and insurance premium tax.

Savings are partially offset by assumed administrative costs of $1.80 per member per month, which results in an estimated cost of $28,235,148 in General Revenue ($56,470,295 in All Funds) beginning in fiscal year 2021 for contracted administrative fees that would be paid to the pharmacy claims processor. This analysis also assumes that HHSC will require 24.3 additional FTEs to manage increased workload associated with the carve-out of pharmacy benefits including additional contract requirements, policy development, review and determination of clinical PAs, and monitoring and sharing of data. This analysis assumes the costs related to the additional FTEs, including salaries and benefits, would be $1,106,547 in General Revenue ($3,116,931 in All Funds) in fiscal year 2021.

Based on estimates provided by HHSC, this analysis assumes one-time costs of $1,867,620 in General Revenue ($3,735,240 in All Funds) related to system modifications to HHSC's existing pharmacy benefits system to implement the provisions of the bill. This analysis also assumes an ongoing cost of $353,068 in General Revenue ($706,137 in All Funds) beginning in fiscal year 2020 related to expansion of contracted call center services.

The decrease in client services payments through managed care are assumed to result in a decrease in insurance premium tax revenue. This analysis assumes a decrease in collections of $56.0 million in fiscal year 2021, $78.1 million in fiscal year 2022, $81.6 million in fiscal year 2023, and $85.3 million in fiscal year 2024 based on estimates provided by the Comptroller of Public Accounts, adjusted for the assumed implementation date of January 1, 2021. 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.

Technology

Technology costs are expected to be $4,441,377 in fiscal year 2020 and $851,208 in fiscal year 2021.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 529 Health and Human Services Commission

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