LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 5, 2023

TO: Honorable Sam Harless, Chair, House Committee on Health Care Reform, Select

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB1283** by Oliverson (Relating to prescription drug formularies applicable to the Medicaid managed care program.), **As Introduced**

The fiscal implications of the bill cannot be determined due to the uncertainty of how the expiration of certain requirements related to prescription drug formularies will affect pharmacy costs and Vendor Drug Rebates, but the impact would likely result in a significant revenue gain.

The bill would remove the August 31, 2023, expiration on certain requirements pertaining to Medicaid managed care organizations employing the state's vendor drug program formulary, preferred drug list, and prior authorization procedures. As a result, managed care organizations (MCO) will not assume control of their own formulary or preferred drug list (PDL) and the state will continue to pay for pharmacy costs, but also maintain revenue from Vendor Drug Rebates.

According to the Health and Human Services Commission (HHSC) gross pharmacy costs are estimated to be higher as a result of maintaining state control. However, HHSC and the Comptroller of Public Accounts estimate that maintaining state control would likely result in a significant gain relative to the Comptroller's Vendor Drug Rebates estimate in the Biennial Revenue Estimate, resulting in an overall significant revenue increase compared to MCOs assuming control and developing a separate formulary and PDL. Due to the uncertainty in how revenue would shift under MCO control, the revenue impact cannot be determined at this time.

Local Government Impact

No 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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