

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 24, 2023

TO: Honorable James B. Frank, Chair, House Committee on Human Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1293 by Rose (Relating to the reimbursement of prescription drugs under Medicaid and the child health plan program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1293, As Introduced : a negative impact of (\$168,074,908) through the biennium ending August 31, 2025.

The fiscal implications of the bill associated with systems updates for managed care organizations and pharmacy benefit managers, changes in reimbursements due to required studies, and a new methodology cannot be determined at this time, but are estimated to have a negative fiscal impact on the state.

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:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$56,378,711)
2025	(\$111,696,197)
2026	(\$114,959,486)
2027	(\$117,150,963)
2028	(\$119,560,398)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable (Cost) from GR Match For Medicaid 758</i>	<i>Probable (Cost) from Federal Funds 555</i>	<i>Probable Savings from General Revenue Fund 1</i>	<i>Probable Savings from Foundation School Fund 193</i>
2024	(\$58,119,767)	(\$91,530,779)	\$1,305,792	\$435,264
2025	(\$117,763,830)	(\$179,213,580)	\$4,550,725	\$1,516,908
2026	(\$120,258,999)	(\$182,820,329)	\$3,974,635	\$1,324,878
2027	(\$122,554,923)	(\$186,242,773)	\$4,052,970	\$1,350,990
2028	(\$125,070,883)	(\$190,063,961)	\$4,132,864	\$1,377,621

Fiscal Analysis

The bill would require that in order for a Medicaid or Children's Health Insurance Program (CHIP) managed care organization or pharmacy benefit manager to meet the conditions of contract retention and renewal, the entities shall reimburse a pharmacy or pharmacist the reimbursement amount at least the amount for the drug

under the Vendor Drug Program (VDP) including a dispensing fee not less than the fee under the VDP, or the amount claimed by the pharmacy or pharmacist, including the gross amount due or the usual and customary charge.

The bill would require HHSC to determine a methodology where pharmacies' actual acquisition cost (AAC) is consistent with actual prices paid to acquire prescription drugs and must be based on the National Average Drug Acquisition Cost (NADAC) report published by the Centers for Medicare and Medicaid Services.

The bill would require HHSC to develop a process to study the retail pharmacies' AAC and publish the results on the commission's website.

The bill would require that the adopted dispensing fees be based on professional dispensing costs by pharmacy type.

The bill would require HHSC to conduct a study of dispensing costs not less than once every two years and adjust the minimum fee based on the results of the study.

Methodology

Assuming a March 1, 2024 start date, the increased cost per recipient associated with setting the minimum managed care pharmacy benefit for network pharmacies equal to the VDP reimbursement amount for fee-for-service pharmacy benefits is estimated to raise overall Medicaid and CHIP managed care expenditures by 7.6 percent each month. This is estimated to impact 3.5 million monthly Medicaid recipients and 0.4 million monthly CHIP recipients on average in fiscal year 2024, increasing in each subsequent fiscal year to 3.6 million monthly Medicaid recipients and 0.4 million monthly CHIP recipients in fiscal year 2028. The estimated cost is \$149.2 million in All Funds, including \$58.0 million in General Revenue, in fiscal year 2024, increasing each subsequent fiscal year to \$314.9 million in All Funds, including \$125.0 million in General Revenue in fiscal year 2028.

The net increase in client services payments through managed care is assumed to result in an increase to insurance premium tax revenue, estimated as 1.75 percent of the increased managed care expenditures. Revenue is adjusted for assumed timing of payments and prepayments resulting in increased collections estimated to be \$1.7 million in fiscal year 2024, \$6.1 million in fiscal year 2025, \$5.3 million in fiscal year 2026, \$5.4 million in fiscal year 2027, and \$5.5 million in fiscal year 2028. 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.

The bill would require VDP to contract with a vendor to develop a methodology that is consistent with Texas pharmacies' AAC, consistent with actual prices and the NADAC report. The costs associated with this contract cannot be estimated at this time.

According to HHSC, the bill would require \$0.1 million in All Funds in fiscal year 2024 for onetime updates to the VDP claims system to create distinct dispensing fees by pharmacy type. MCOs and PBMs will have to make similar modifications, however the fiscal impact cannot be estimated at this time.

HHSC estimates that VDP would be required to contract with a vendor to study the dispensing costs and AAC and assumes a cost of \$0.3 million in All Funds in fiscal years 2024, 2026, and 2028. The costs associated with any fee updates, based on the results of the study, cannot be estimated at this time, but could result in higher dispensing costs.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JMc, NPe, ER, CST, NV