

# TAHP Opposes HB 1293: Mandating Fee-for-Service Pharmacy Rates in Medicaid Managed Care

## TAHP opposes HB 1293 because it undermines one of the fundamental principles of the Medicaid managed care system and increases costs for taxpayers.

- HB 1293 mandates the state's fee-for-service (FFS) dispensing fee and the National Average Drug Acquisition Cost (NADAC) for prescription drug reimbursement in Medicaid managed care.

### Eliminates Competitive Negotiation for Pharmacy Reimbursement



- One of the main principles of Medicaid managed care is to negotiate market-based reimbursement rates to ensure affordable and accessible health care for Medicaid families while controlling costs for taxpayers.
- By imposing a one-size-fits-all reimbursement model based on NADAC and the state's dispensing fee, HB 1293 would effectively eliminate the ability of managed care organizations (MCOs) to negotiate competitive rates and drive down costs for Texas taxpayers.
- Texas transitioned from the FFS model to managed care precisely because of the inherent inefficiencies and problems associated with the FFS system.
- One of the main reasons drugs were carved into managed care was to slow down the rapid growth in Medicaid drug spending that had been occurring over the previous decade.
- The prescription drug carve-in to managed care was successful in reducing drug cost growth in Texas Medicaid by 50%.
- MCOs achieved these taxpayer savings while maintaining a robust and competitive network of pharmacies that ensure access for Medicaid families.
- Currently, over 95% of Texas pharmacies participate in Medicaid MCO networks, illustrating the effectiveness of the current process.
- Reverting to a reimbursement model that mirrors the FFS system would undermine the progress made in improving access and controlling costs for prescription drugs in the Medicaid program.

## HB 1293 Increases Taxpayer Costs for Medicaid



- Pharmacies advocating for this bill are doing so to secure higher reimbursement rates, which would inevitably lead to increased costs for taxpayers.
  - The Texas FFS NADAC dispensing fee is much more expensive than its federal counterpart. While national NADAC dispensing fees average around \$7, the Texas FFS dispensing fee is closer to \$11.
  - Additionally, both of these fees are more expensive than the current rates in Medicaid managed care, the private health insurance market, or Medicare.
  - If the Texas FFS NADAC dispensing fee were applied to managed care, Texas MCOs estimate that this would result in a cost increase of 9.39% to 13% per year for the Medicaid program.
  - Medicaid MCOs estimate that the annual All Funds cost increase to Medicaid would amount to \$400 - \$554 million a year, while the annual General Revenue cost would rise by \$160 - \$221 million a year.
- While we understand the concerns of some independent pharmacies regarding reimbursement rates, we believe that HB 1293 is not the right solution.
- Texas should focus on fostering a competitive marketplace that encourages negotiation and cost containment.

## Texas MCOs already have an adequate network of pharmacies, and the financial health of Texas pharmacies remains strong.



- In addition to the policy concerns with HB 1293, we find it difficult to justify the increased pharmacy reimbursement rates proposed by the bill.
  - From 2010 - 2019, the number of independent pharmacies in Texas grew from 1,400 to 1,944—a 38% increase. By comparison, chain stores grew by 13%.
  - From 2020 to 2021, the number of independent pharmacies in Texas increased by 119. There are now 2,015 independent pharmacies in Texas.
  - Revenue for independent pharmacies have increased 35% over the past several years; and margins have ranged from 22 - 24%.