Texas Association of Health Plans
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April 19, 2023

Dear Chairwoman Kolkhorst and Members of the Health and Human Services Committee,

The Texas Association of Health Plans (TAHP) is the statewide trade association representing health insurers, HMOs, Medicaid managed care, and other health plans that serve over 20 million Texans. **TAHP member plans are concerned that SB 2402 could create a carve-out of the prescription drug program from Medicaid managed care, returning Medicaid to a fragmented fee-for-service program.** If this is not the intent, we respectfully request clarifying language be added to the legislation.

Multiple studies have shown that carving drugs out of managed care in Texas would cost Texas taxpayers hundreds of millions of dollars. Equally important, we are concerned that a carve-out would negatively impact health care outcomes by creating barriers that prevent Texas families from receiving the care coordination they need to stay in their communities and lead active lives.

Through the use of the managed care delivery model, health plans are able to provide Medicaid clients with a high level of care coordination, including coordinating their use of prescription drugs, to help them get healthy and stay healthy. Under this model, the state's "Rider 61 study" shows that Texas has saved between $5 and $13.9 billion dollars compared to the fragmented fee-for-service model.[1]

Most states "carve in," or integrate, all Medicaid benefits into managed care. Carving in medical care, behavioral health, prescription drugs, and other services ensures these benefits all work together for better health outcomes while saving taxpayers billions of dollars. Shifting the administration of Medicaid drug benefits to managed care reduced spending by 21 percent with no decrease in quality of care.[2] In 2017, prescription drug carve-in programs achieved $7.4

[1] Texas Health and Human Services Commission. (Aug. 2018). Rider 61: Evaluation of Medicaid and CHIP Managed Care.
[2] Dranove, Ody, and Starc. (Jan. 2021). A Dose of Managed Care: Controlling Drug Spending in Medicaid. National Bureau of Economic Research. Retrieved from https://www.aeaweb.org/articles?id=10.1257/app.20190165

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billion in savings for U.S. taxpayers.[3] States that have drugs carved in cost 15 percent less than states that have Medicaid drug programs carved out of Medicaid managed care.[4] A study by Prime Therapeutics found that carving-in pharmacy benefits reduced costs by 11 percent, reduced hospitalizations by 9 percent, and reduced emergency department visits by 4 percent.[5]

In Texas, managed care has successfully slowed down drug cost growth. From 2001 to 2011 in the fee-for-service model, Texas drug costs grew at an average of 6.5 percent per year. Since carving prescription drugs into managed care in 2012, that cost growth has slowed all the way to an average of 2.8 percent a year. Specific to Texas, managed care keeps the state's Medicaid costs contained—costs in Texas' managed care model is 35 percent lower than the U.S. national average.[6]

In 2019, the state's "Rider 60 study" found that carving out drugs would increase drug spending by $60 million per biennium, increase drug utilization by $60 million per biennium, increase administrative costs by up to $40 million per biennium, and create a one-time transition cost of up to $50 million. Returning the prescription drug benefit to fee-for-service would certainly increase administrative costs: the study noted the administrative cost for prescription drug coverage in Texas' fee-for-service program is $2.50. In managed care, it is $1.60 per member per month.[7]

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[3] The Menges Group. (Nov. 2018). Medicaid Prescription Drug Utilization and Expenditure Dynamics. Retrieved from https://www.communityplans.net/wp-content/uploads/2018/11/Medicaid-Prescription-Drug-Utilization-and-Expenditure-Dynamics.pdf

[4] The Menges Group. (April 2015). Comparison of Medicaid Pharmacy Costs and Usage in Carve-In Versus Carve-Out States. Retrieved from https://www.ahip.org/wp-content/uploads/2015/11/Medicaid-Pharmacy-Carve-In-Final-Paper-The-Menges-Group-April-2015.pdf

[5] Prime Therapeutics. (Oct. 2014). Economic and event outcomes of members with carve-in versus carve-out pharmacy benefits: A two-year cohort study. Retrieved from https://www.primetherapeutics.com/content/dam/corporate/Documents/Newsroom/PrimeInsights/2014/research-posters/1014fall-carve-in-vs-carve-out.pdf

[6] Texas Health and Human Services Commission. (2022). Texas Medicaid and CHIP Reference Guide, Fourteenth Edition. Retrieved from https://www.hhs.texas.gov/sites/default/files/documents/texas-medicaid-chip-reference-guide-14th-edition.pdf

[7] Texas Health and Human Services Commission. (Aug. 2018). Rider 60: Prescription Drug Benefit Administration in Medicaid, CHIP, and Other Health-Related Services.

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This aligns with a nationwide study published in 2022, which compared results of states with managed care drug benefits and fee-for-service carve-out prescription drug arrangements from 2011 and 2021. In 2021, MCOs paid an average cost of $42.52 per prescription after rebates, whereas states with fee-for-service programs paid $57.32 per prescription after rebates—about 35 percent more than the MCOs.[8]

The same Rider 60 study indicated that the state will lose more than $60 million in premium tax revenue with a carve out.[9] The Legislative Budget Board has also previously indicated in its fiscal note that a Medicaid carve-out would have a significant fiscal impact and would be a cost to the state of $100 million in two years.[10]

In addition to savings, Texas' managed care model has also improved patient health outcomes. The management of prescription drugs by MCOs also decreases unnecessary use of prescriptions by 14 percent.[11] Through managed care, Medicaid health plans are able to take a more comprehensive approach to drug management that focuses on treating the whole patient. Integrating up-to-the-minute medical and pharmacy data gives health plans the ability to monitor clients' health in real-time and enables them to identify high-risk patients, ensuring clients take the right medication at the right time. Integration of medical and pharmacy data also allows health plans to work with providers to ensure the best outcomes for Medicaid clients.

For example, Parkland Children's Health Plan, a Medicaid managed care plan, received national recognition for their asthma management program that integrates medical and pharmacy data to better coordinate care. Although asthma is easily controlled with treatment, it is the leading cost of hospitalizations for children. Through this program, Parkland has decreased costs by 50 percent, ER visits by 40 percent and hospitalizations by 50 percent. Programs like this would not be possible if drugs are carved out of managed care.

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[8] The Menges Group. (Dec. 9, 2022). Summary of Medicaid Prescription Tabulations.
[9] Texas Health and Human Services Commission. (Aug. 2018). Rider 60: Prescription Drug Benefit Administration in Medicaid, CHIP, and Other Health-Related Services.
[10] HB 3388 (86R)
[11] Dranove, Ody, and Starc. (Jan. 2021). A Dose of Managed Care: Controlling Drug Spending in Medicaid. National Bureau of Economic Research. Retrieved from https://www.aeaweb.org/articles?id=10.1257/app.20190165

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Similarly, MCOs are empowered to address the opioid crisis through managed care. Real-time pharmacy and medical data enable Superior HealthPlan, a managed care plan, to combat the simultaneous use of Vicodin, Xanex and Soma, a dangerous and deadly mix of drugs called the "Houston cocktail." Since July 2016, Superior has seen an 89 percent reduction in the number of Houston cocktail prescriptions. The results are so successful that they have extended the initiative to include all other opiates, benzodiazepines and muscle relaxers and have seen a 35 percent reduction since 2018.

A carve-out of prescription drugs would end successful programs like the ones from Parkland and Superior, and have a drastic impact on all Texas families enrolled with managed care plans. We strongly urge this committee to thoughtfully consider the impact SB 2402 may have on these families and Texas taxpayers if a carve-out results. If this is not the intent, we respectfully request clarifying language be added to the legislation.

Sincerely,

Jamie Dudensing

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CEO
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