



Texas Association of Health Plans

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April 13, 2023

Dear Chairman Harless and Members of the House Select Committee on Health Care Reform,

The Texas Association of Health Plans is concerned that HB 4990 could create a carve-out of the prescription drug program from Medicaid managed care, returning to a fragmented fee-for-service program. 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.

Most states “carve in,” or integrate, all Medicaid benefits into managed care. Shifting the administration of Medicaid drug benefits to managed care reduced spending by 21% with no decrease in quality of care. In 2017, prescription drug carve-in programs achieved \$7.4B in savings for U.S. taxpayers.

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% per year. Since carving prescription drugs into managed care in 2012, that cost growth has slowed to an average of 2.8% a year. Costs in Texas’ managed care model are 35% lower than the U.S. national average.

In 2019, the state’s “Rider 60 study” found that carving out drugs would increase drug spending by \$60M, drug utilization by \$60M, and administrative costs by up to \$40M per biennium, and create a one-time transition cost of up to \$50M. The study noted the administrative cost for prescription drug coverage in Texas’ fee-for-service program is \$2.50. In managed care, it is \$1.80 per member per month.

This aligns with a nationwide study which found that in 2021, states with fee-for-service programs paid about 35% more than MCOs for their prescription drug arrangements.

In addition to savings, Texas’ managed care model has also improved patient health outcomes. The management of prescription drugs by MCOs decreases unnecessary use of prescriptions by



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14%. Through managed care, Medicaid health plans are able to take a more comprehensive approach to drug management that focuses on treating the whole patient.

For example, Parkland Children's Health 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%, ER visits by 40% and hospitalizations by 50%.

Real-time pharmacy and medical data enable Superior HealthPlan to combat the simultaneous use of Vicodin, Xanax and Soma, a dangerous and deadly mix of drugs. 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% reduction since 2018.

A carve-out of prescription drugs would end successful programs like these. We strongly urge this committee to thoughtfully consider the impact HB 4990 may have on Medicaid families and Texas taxpayers if a carve-out results.

Sincerely,

A handwritten signature in black ink that reads "Jamie Dudensing". The signature is written in a cursive, flowing style.

Jamie Dudensing, RN
CEO
Texas Association of Health Plans