

SUBJECT: Limiting prescription drug copayments to actual charges

COMMITTEE: Insurance — favorable, with amendment

VOTE: 9 ayes — Smithee, Van de Putte, Averitt, Bonnen, Burnam, Eiland, G. Lewis, Olivo, Wise

0 nays

WITNESSES: For — None

Against — None

On — Jeff Kloster, Texas Health Maintenance Organization Association

DIGEST: HB 3420 would prohibit a health maintenance organization (HMO) from charging a copayment or similar charge for a prescription drug that exceeded the usual amount charged for the drug by the pharmacy filling the prescription.

As amended, the bill also would stipulate that the insurance commissioner would have to adopt rules requiring all HMOs to use standardized pharmacy benefits cards for enrollees. The cards would have to meet the requirements of federal and industry standards. Rules would have to be adopted by January 1, 1999.

HB 3420 would take effect September 1, 1997, and would apply to coverage delivered, issued for delivery, or renewed on or after January 1, 1998.

SUPPORTERS SAY: HB 3420 would ensure that health care consumers do not pay more than market price for prescription drugs provided by a pharmacy under a HMO agreement. The bill would prevent the HMO from charging a copayment higher than that normally charged by a pharmacy, a difference that can be significant. Statewide, the average HMO pharmacy copayment is \$15, and the average cost of a prescription drug is \$7. If consumers were always charged the full copayment, the costs could add up quickly.

The copayment burden falls most heavily on senior citizens, who are more likely to be on fixed incomes. Elderly individuals are often prescribed less expensive generic drugs that may cost much less than the HMO copayments. Seniors often receive five or six prescriptions at a time, multiplying the cost increase several times over. HB 3420 would ensure that senior citizens and other individuals pay only the actual costs of their prescriptions, and not arbitrarily inflated prices.

Many HMOs have already incorporated the provisions of HB 3420 into their rates, and the bill would simply require those who have not yet done so to make their pricing fair to all their members. The HMOs who charge pharmacy rates for cheaper prescription drugs have not been unduly burdened by their action, but instead have benefitted from increased customer satisfaction.

The committee amendment requiring standardized pharmacy benefit cards would provide increased efficiency and security for pharmacists and consumers alike. It would ensure that pharmacists had all the necessary information to process prescriptions quickly and accurately. And with their security features, the cards would prevent fraud and illegal drug purchases.

**OPPONENTS
SAY:**

HB 3420 would limit the flexibility of HMOs to make a reasonable profit. HMOs operate on economies of scale, taking losses on some transactions and recouping them elsewhere. By requiring HMOs to charge the market rate for cheaper prescription drugs, the bill would disrupt the give and take that makes managed care a low-cost, effective form of health care delivery.

NOTES:

The committee amendment would require HMOs to issue prescription cards.