BILL ANALYSIS

Senate Research Center

H.B. 1377
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Economic Development
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Engrossed

DIGEST

Currently, the Texas Department of Health (department) administers the Vendor Drug, Chronically Ill and Disabled Children's Services, and Kidney Health Care Programs that reimburse clients for medication. According to the 1996 Texas Performance Review Report, consolidation of these programs could save the state approximately $1.3 million during the next biennium. This bill would require clients to exhaust Medicaid drug benefits before receiving reimbursement under these programs. Additionally, this bill would require the department to develop a drug manufacturer rebate program.

PURPOSE

As proposed, H.B. 1377 requires clients to exhaust Medicaid drug benefits before receiving reimbursement under these programs. This bill requires the Department of Health to develop a drug manufacturer rebate program.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the Department of Health in SECTION 2 (Section 12.020(f), Health and Safety Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 32B, Human Resources Code, by adding Section 32.0311, as follows:

> Sec. 32.0311. DRUG REIMBURSEMENT UNDER CERTAIN PROGRAMS. Requires the Department of Health (department) to require a recipient of medical assistance to exhaust drug benefits available under the medical assistance program before reimbursing the recipient, pharmacist, or other health care provider for drugs purchased by or on behalf of the recipient under the Kidney Health Care Program or the Chronically Ill and Disabled Children's Services Program.

SECTION 2. Amends Chapter 12B, Health and Safety Code, by adding Section 12.020, as follows:

> Sec. 12.020. DRUG REBATES. (a) Requires the department to develop a drug manufacturer rebate program for drugs purchased by or on behalf of a client of the Kidney Health Care Program or the Chronically Ill and Disabled Children's Services Program. Requires the department to seek rebates in amounts established under the Medicaid drug manufacturer rebate program for drugs covered by Medicaid that are purchased by or on behalf of clients of the Kidney Health Care Program or the Chronically Ill and Disabled Children's Services Program who are not eligible for Medicaid. Requires the department to consult with drug manufacturers to develop rebate amounts for drugs not covered by Medicaid that are purchased by or behalf of clients of the Kidney Health Care Program or the Chronically Ill and Disabled Children's Services Program. Prohibits the average percentage savings from rebates for these drugs from being less than the average percentage savings from drug rebates under the Medicaid drug manufacturer rebate program. Provides that the department is not required to seek a rebate or develop a rebate amount for a drug purchased at a price that is lower than the price after rebate of the drug under the Medicaid drug

manufacturer rebate program. Authorizes amounts recovered by the department under the drug rebate program established under this section to be appropriated only for the Kidney Health Care Program or the Chronically Ill and Disabled Children's Services Program. Authorizes the department, by rule, to require all drug manufactures to participate in the rebate program as a condition of reimbursement for the manufacturers' drugs under the Kidney Health Care Program and the Chronically Ill and Disabled Children's Services Program.

SECTION 3. Amends Chapter 35, Health and Safety Code, by adding Section 35.0041, as follows:

Sec. 35.0041. REIMBURSEMENT FOR HEMOPHILIA FACTOR. Requires the department to set the reimbursement rate for hemophilia factor claims made under this chapter at the price set for hemophilia factor under 42 U.S.C. Section 256b, plus any additional amount the department determines reasonable as a dispensing fee.

SECTION 4. (a) Requires the department, to the extent authorized by federal law, to consolidate with the Medicaid Vendor Program the drug benefits components of the Kidney Health Care Program and the Chronically Ill and Disabled Children's Services Program.

(b) Requires the department, except as provided by Subsection (c) or other law, to use the Medicaid Vendor Drug Program's claims processing and program monitoring procedures, pharmacy network, and reimbursement rates for the consolidated program. Require the department to use the Medicaid Vendor Drug Program's prior authorization and dispute resolution procedures and approval criteria for the consolidated program to the extent that use of these procedures and criteria is consistent with funding and policy considerations of the Kidney Health Care Program and the Chronically Ill and Disabled Children's Services Program.

(c) Requires the department to develop reimbursement rates for drugs purchased by or on behalf of a client of the Kidney Health Care Program or the Chronically Ill and Disabled Children's Services Program that are not included in the Medicaid Vendor Drug Program's list of reimbursable drugs.

(d) Requires the department to update its computer system to facilitate the consolidation.

SECTION 5. (a) Requires the department to implement the drug manufacturer rebate program required by Section 12.020, Health and Safety Code, as added by this Act, by September 1, 1997.

(b) Requires the department to complete the implementation of the consolidated program required by Section 4 of this Act by March 1, 1999.

SECTION 6. Emergency clause.
Effective date: upon passage.