



May 2, 2017

To the Honorable Members of the Texas House of Representatives
P.O. Box 2910
Austin, TX
78768-2910

Re: Opposition to H.B.1133 – “An Act Relating to the Reimbursement of Prescription Drugs under Medicaid and the Child Health Plan Program.”

Dear Member of the Texas House of Representatives:

The Pharmaceutical Care Management Association (“PCMA”) is submitting the following comments in opposition to H.B.1133, “An Act Relating to the Reimbursement of Prescription Drugs under Medicaid and the Child Health Plan Program.” PCMA is the national trade association representing America’s pharmacy benefit managers (“PBMs”), which administer prescription drug plans for more than 266 million Americans with health coverage provided through Fortune 500 employers, health insurance plans, labor unions, and Medicare Part D.

H.B.1133 would result in a direct fiscal cost to the state of Texas by increasing the average reimbursement amount of a Medicaid or CHIP prescription drug claim by eliminating the ability of PBMs to reimburse pharmacies using Maximum Allowable Cost (MAC) pricing lists. Instead, H.B.1133 adopts a pricing system based on the National Average Drug Acquisition Cost (NADAC), a voluntary, national survey of pharmacies who are willing to submit their invoices to the Centers for Medicare & Medicaid Services (CMS) in Washington D.C. The submitted invoices do not reflect any discounts, rebates or price concessions that the pharmacy might have received and are not indicative of the real cost of dispensing the prescription drug. In utilizing NADAC pricing and eliminating the use of MAC lists, the state of Texas will be held to reimbursing pharmacies at the highest cost possible for the prescription drugs they dispense.

A MAC list specifies the most a PBM will reimburse a pharmacy for a particular generic drug. Identical generic drugs can be made by several manufacturers and listed at different prices. PBMs set and regularly update MAC lists at a level that reflects the average acquisition cost of a well-run pharmacy. MAC lists encourage pharmacies to purchase generics at the lowest possible cost, driving competition among wholesalers and generic drug manufacturers. H.B. 1133 takes away any incentive for pharmacies to work to obtain prescription drugs at the lowest cost possible and will in turn lead to higher drug acquisition costs and more costly claims paid by the state Medicaid and CHIP programs.

MAC lists are incredibly common; currently 45 state Medicaid programs utilize MAC lists, including the state of Texas.¹ A 2015 analysis of more than 800 affected generic prescriptions found that restrictions on MAC lists

¹ Office of the Inspector General, Department of Health and Human Services. *Medicaid Drug Pricing in State Maximum Allowable Cost Programs*. (July 2013).



could increase costs by 31% to 56% for affected general prescriptions, and increase expenditures nationally by up to \$6.2 billion annually.²

The 83rd Texas legislature passed important legislation allowing MAC pricing (S.B.1106) which was supported by various independent pharmacy groups as well as PBMs. Yet, H.B.1133 completely unravels the efforts of those good faith negotiations by now proposing to prohibit the use of MAC pricing in Texas.

The total number of independent pharmacies operating in Texas increased over the past seven years from 1,405 to 1,894³. In fact, ninety-five percent of Texas pharmacies are counted as ‘in network participating providers’ with the Medicaid/CHIP Managed Care Organizations (MCOs). These numbers reveal that today’s system of market based contracting and negotiated pricing policies is working, thus rendering H.B. 1133 wholly unnecessary.

This legislation is a solution in search of a problem that will increase costs to the state of Texas and the system that provides for Texas’ most vulnerable citizens enrolled in the Medicaid and CHIP programs. Thus, PCMA urges the Committee to not advance this legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Melodie Shrader", written in a cursive style.

Melodie Shrader
State Affairs

² IMS Institute for Health Informatics, for the Generic Pharmaceutical Association. (2016).

³ Quest Analytics Analysis of NCPDP Data, 2017