

6.J PART A BUDGETARY IMPACTS RELATED TO FEDERAL HEALTH CARE REFORM SCHEDULE

82nd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/20/2010**
TIME: **4:36:35PM**

Agency code: **529** Agency name: **Health and Human Services Commission**

CODE	DESCRIPTION	Est 2010	Bud 2011	BL 2012	BL 2013	Excp 2012	Excp 2013
Item Number: 1 Item Name: Federal Recapture of Drug Rebates							
Includes Funding for the following Strategy or Strategies:							
0002-0002-0002 Medicaid Vendor Drug Program							
OBJECTS OF EXPENSE							
3001	CLIENT SERVICES	\$37,041,409	\$22,392,971	\$44,675,142	\$46,120,894	\$3,282,942	\$7,065,787
TOTAL, OBJECT OF EXPENSE		\$37,041,409	\$22,392,971	\$44,675,142	\$46,120,894	\$3,282,942	\$7,065,787

METHOD OF FINANCING

8081	Vendor Drug Rebates-Sup Rebates	\$37,041,409	\$22,392,971	\$44,675,142	\$46,120,894	\$3,282,942	\$7,065,787
SUBTOTAL, GENERAL REVENUE FUNDS		\$37,041,409	\$22,392,971	\$44,675,142	\$46,120,894	\$3,282,942	\$7,065,787

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

Section 2501 of PPACA and Section 1206 of HCERA

DESCRIPTION/KEY ASSUMPTIONS:

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Patient Protection and Affordable Care Act (PPACA) and the subsequent Health Care and Education Reconciliation Act (HCERA) of 2010 have provisions that allow the federal government to recapture an increased share of Medicaid supplemental rebate revenue collected by States. The Medicaid vendor drug supplemental rebate revenue reflected in Strategy B.2.2, Medicaid Vendor Drugs, has been adjusted for this federal recapture of supplemental rebate revenue which reduces the share retained by the State.

The adjustments for the federal recapture are \$38.6 million GR for FY 2010*, \$37.1 million GR for FY 2011*, \$44.7 million GR for FY 2012, and \$46.1 million for FY 2013 in the Base Request. The impact of Exceptional item #1 is \$3.3 million GR for FY 2012, and \$7.1 million for FY 2013.

Assumptions for these calculations and adjustments:

1. The rebate provisions will result in loss of revenue both for drugs in the state's supplemental rebate program and for some drugs without a supplemental rebate.
2. Without pending clarification from CMS, the estimated impact assumes an average loss of rebate of 9.75 percent per member per month.
3. The federal recapture is retroactive to January 2010 but no recapture or reduction of rebates has occurred. It is anticipated that the federal government will have systems, guidance, and calculations in place by January 2011.

CONCERNS:

The amounts identified for FY 2010-11 were preliminary estimates prepared after the initial enactment. These estimates were available at the time the FY 2010-11 Base Reconciliation was due in June 2010. On-going discussions with CMS during the Spring resulted in a additional assumptions that revised the initial estimate.

Therefore FY 2012-13 amounts are adjusted for the revised assumptions. Had this information been available at the time the Base Reconciliation was due, the adjustments for the federal recapture would have been \$31 million GR for FY 2010 and \$39 million GR for FY 2011.

HHSC also has an exceptional item request that would capitate vendor drug within Managed Care that also would reduce the overall revenue collection of Medicaid supplemental rebates. The capitated rates paid to managed care organizations would be reduced assuming that they would collect supplemental drug rebates and keep this revenue to replace the lower capitated payment.

6.J PART B SUMMARY OF BUDGETARY IMPACTS RELATED TO FEDERAL HEALTH CARE REFORM SCHEDULE

82nd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/20/2010**
 TIME: **4:36:57PM**

Agency code: **529** Agency name: **Health and Human Services Commission**

ITEM	ITEM NAME	Est 2010	Bud 2011	BL 2012	BL 2013	Excp 2012	Excp 2013	Total Request 2012	Total Request 2013
1	Federal Recapture of Drug Rebates	\$37,041,409	\$22,392,971	\$44,675,142	\$46,120,894	\$3,282,942	\$7,065,787	\$47,958,084	\$53,186,681
Total, Cost Related to Health Care Reform		\$37,041,409	\$22,392,971	\$44,675,142	\$46,120,894	\$3,282,942	\$7,065,787	\$47,958,084	\$53,186,681
METHOD OF FINANCING									
	GENERAL REVENUE FUNDS	\$37,041,409	\$22,392,971	\$44,675,142	\$46,120,894	\$3,282,942	\$7,065,787	\$47,958,084	\$53,186,681
	TOTAL	\$37,041,409	\$22,392,971	\$44,675,142	\$46,120,894	\$3,282,942	\$7,065,787	\$47,958,084	\$53,186,681