Q: What was the reason for the addendum? Why so long after the initial report?
A: As HHSC has been working on fiscal estimates for pharmacy carve out legislation, we noted that it would be helpful to provide the fiscal impact to the State. HHSC requested that Deloitte provide the fiscal impact on a General Revenue to show the impact to HHSC and the State.

Q: Do the MCOs actually pay the Premium Tax with their own money?
A: MCOs are subject to state premium tax. See INSURANCE CODE TITLE 3. DEPARTMENT FUNDS, FEES, AND TAXES SUBTITLE B. INSURANCE PREMIUM TAXES CHAPTER 222. LIFE, HEALTH, AND ACCIDENT INSURANCE

Q: Is there a way to do another addendum to calculate an estimated increase in revenues based on improved adherence with the Preferred Drug List/PDL – as noted in the Rider 60 report?
A: It could not be done as an addendum to the Rider 60 report. This would be outside the scope of the contract. However, this is a study that HHSC could be directed to conduct.

Q: Are there still savings to the state after this adjustment made?
A: Yes. In some scenarios, indicated in parentheses, there are savings to the state.

Q: Just to clarify, did the scenarios stay the same as in rider 60 report?
A: All of the assumptions remain unchanged from the Rider 60 report.

Q: Do the MCOs actually pay the premium tax?
A: MCOs are subject to state premium tax. See INSURANCE CODE TITLE 3. DEPARTMENT FUNDS, FEES, AND TAXES SUBTITLE B. INSURANCE PREMIUM TAXES CHAPTER 222. LIFE, HEALTH, AND ACCIDENT INSURANCE
Q: Is it correct that for 2017 excluding the premium tax, all scenarios save money for HHSC and the federal government?

A: If you are referring to Section A, then that is correct. Please note the overall cost impact to the federal government, HHSC and State is presented in Sections H, I and J of the Rider 60 Addendum.

Q: What impact on the estimates would the lower MCO risk margins that were implemented per last session.

A: A lower risk margin would reduce the savings from a carve out. As shown in the scenarios, carving pharmacy out of managed care would reduce the risk margin built into the managed care rates. For example, in state fiscal year (SFY) 2015, the risk margin built into the capitation rates associated with pharmacy is $54.7M. Carving pharmacy out of managed care results in an ALL FUNDS savings of $54.7M as noted in the addendum and Figure 38 of the Rider Report.

Q: Would the higher FMAP predicted for 2020 and 2021 reduce the potential savings and increase cost further?

A: A change in the FMAP shifts the impact between the Federal Government and the State. With an increase in FMAP, before premium tax, the Federal portion of the cost or savings impact would increase (i.e. larger cost or a bigger savings) and the State/HHSC impact would decrease (i.e. reduced cost or lower savings depending on the scenario). For example, in SFY 2017 Scenario 1, there is a before premium tax savings to both the Federal Government and the State/HHSC (row B and C). There would be a larger savings for the Federal Government with an increase in the FMAP and a lower savings for the State/HHSC.

Incorporating the impact of the Premium Tax, (addendums rows E, F and G), the impact to the savings in each scenario for the Federal Government and HHSC would work in a similar manner. For example, in SFY 2017 Scenario 1, the savings of $36.0M to the Federal Government would increase or be a bigger savings with an increase in the FMAP. Conversely, the impact to savings for HHSC would decrease by the same amount. However, an increase in FMAP to the State would increase the “cost” under a carve out scenario as the State would have an increase in the net revenue lost. For example, in SFY 2017 Scenario 1, the cost of $36.0M to the State would increase by the same proportion as the savings to the Federal Government.