

SUBJECT: Establishing the Texas Pharmaceutical Initiative

COMMITTEE: Health Care Reform, Select — committee substitute recommended

VOTE: 10 ayes — Harless, Howard, Bonnen, Bucy, Frank, E. Morales, Oliverson, Price, Rose, Walle
1 nay — Klick

WITNESSES: For — (*Registered, but did not testify*: Caroline Welton, Texas Public Policy Foundation)

Against — Glenn Hamer, Texas Association of Business (*Registered, but did not testify*: Michelle Apodaca, Cigna; Kay Ghahremani, Texas Association of Community Health Plans)

On — Debbie Garza, Texas Pharmacy Association (*Registered, but did not testify*: Maureen Milligan, Teaching Hospitals of Texas; Victoria Grady, Maurice McCreary, Trey Wood, Texas Health and Human Services Commission; Preston Streufert, Texas Juvenile Justice Department)

BACKGROUND: Some have suggested that establishing a Texas Pharmaceutical Initiative could help address the rising cost of prescription drugs.

DIGEST: CSHB 4990 would establish the Texas Pharmaceutical Initiative to provide cost-effective prescription drugs and other medical supplies to:

- employees, dependents, and retirees of public higher education systems and institutions;
- Employees Retirement System of Texas (ERS) members;
- Teacher Retirement System of Texas (TRS) members;
- people confined by the Texas Department of Criminal Justice or the Texas Juvenile Justice Department; and
- Medicaid and the Child Health Insurance Plan recipients.

A state entity that provided health benefit plan coverage to covered individuals could elect to provide access to prescription drugs and other medical supplies under the initiative.

The initiative would be governed by a board composed of:

- the executive commissioner of the Health and Human Services Commission (HHSC) or a designee;
- the executive directors of ERS and TRS or their designees;
- three members appointed by the governor;
- one member appointed by the governor from a list submitted by the lieutenant governor;
- one member appointed by the governor from a list submitted by the speaker of the House;
- the chancellor of The University of Texas System or a designee, who would serve in an ex-officio capacity.

Board members would serve staggered six-year terms and could receive reimbursement for travel and other expenses. The governor would choose the presiding officer. The board would be administratively attached to HHSC.

The board would be required to develop and implement the initiative, establish certain procedures and policies, and recommend rules necessary to implement the initiative to HHSC for adoption. The board could execute contracts, establish a committee to exercise certain delegated powers, employ an executive director and other necessary personnel for administrative support, and award grants to public or private persons. If the board determined that establishing the initiative was not feasible, it could refrain from doing so.

The bill would specify requirements for the board to contract with a statewide pharmacy benefit manager and implement a central service provider to provide prescription drugs and medical supplies. The board also would establish a pharmaceutical advanced preparation facility to

manufacture and provide compounded and certain other drugs.

The board would be required to contract with a person to provide advanced health care claims analytics software to support the initiative and population health research.

The board could enter into an agreement with a person to establish a facility that manufactured generic biological products and generic drugs in compliance with any federal requirements. In entering an agreement, the board would prioritize savings and access to affordable medication. The board would develop criteria for evaluating applications or proposals submitted by a person seeking a contract.

CSHB 4990 would establish the Texas Pharmaceutical Initiative Fund as a trust fund held by the comptroller outside the state treasury. The fund would consist of:

- money from gifts, grants, and donations;
- any additional legislative appropriations;
- interest, dividends, and other income of the fund.

By December 31 of each year, the board would be required to submit a written report to the Legislature on the activities and objectives of the initiative, any cost savings for state entities that participated, and any recommendations for legislative or other action.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2023.

NOTES:

According to the Legislative Budget Board, the fiscal implications of the bill could not be determined due to the uncertainty of the costs to implement the initiative and potential savings.