

SENATE AMENDMENTS

2nd Printing

By: Bonnen, Frank, Oliverson

H.B. No. 4990

A BILL TO BE ENTITLED

AN ACT

relating to the Texas Pharmaceutical Initiative; authorizing fees.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle D, Title 10, Government Code, is amended by adding Chapter 2177 to read as follows:

CHAPTER 2177. TEXAS PHARMACEUTICAL INITIATIVE

Sec. 2177.001. DEFINITIONS. In this chapter:

(1) "Board" means the governing board of the initiative.

(2) "Fund" means the Texas Pharmaceutical Initiative fund.

(3) "Generic biological product" means a biological product approved pursuant to an application under Section 351(k), Public Health Service Act (42 U.S.C. Section 262(k)).

(4) "Generic drug" means a prescription drug approved pursuant to an application under Section 505(j), Federal Food, Drug, and Cosmetic Act (21 U.S.C. Section 355(j)).

(5) "Initiative" means the Texas Pharmaceutical Initiative established under this chapter.

Sec. 2177.002. TEXAS PHARMACEUTICAL INITIATIVE. (a) The Texas Pharmaceutical Initiative is established to provide cost-effective access to prescription drugs and other medical supplies for:

(1) employees, dependents, and retirees of public

1 higher education systems and institutions;

2 (2) Employees Retirement System of Texas members;

3 (3) Teacher Retirement System of Texas members;

4 (4) persons confined by the Texas Department of
5 Criminal Justice or the Texas Juvenile Justice Department;

6 (5) recipients of medical assistance under Chapter 32,
7 Human Resources Code; and

8 (6) enrollees of the child health plan program under
9 Chapter 62, Health and Safety Code.

10 (b) A state entity or managed care organization as defined
11 by Chapter 533, Government Code, that provides health benefit plan
12 coverage to individuals described by Subsection (a) as the entity
13 or managed care organization determines appropriate may elect to
14 provide access to prescription drugs and other medical supplies
15 under the initiative.

16 Sec. 2177.003. BOARD. (a) The initiative is governed by a
17 board composed of:

18 (1) the executive commissioner of the Health and Human
19 Services Commission or the executive commissioner's designee;

20 (2) the executive director of the Employees Retirement
21 System of Texas or the executive director's designee;

22 (3) the executive director of the Teacher Retirement
23 System of Texas or the executive director's designee;

24 (4) three members appointed by the governor;

25 (5) one member appointed by the governor from a list of
26 three names submitted by the lieutenant governor;

27 (6) one member appointed by the governor from a list of

1 three names submitted by the speaker of the house of
2 representatives; and

3 (7) the chancellor of The University of Texas System,
4 or the chancellor's designee, who serves in an ex-officio capacity.

5 (b) A vacancy on the board shall be filled in the same manner
6 as the original appointment.

7 (c) The appointed board members serve staggered six-year
8 terms.

9 (d) The governor shall designate the presiding officer of
10 the board.

11 (e) A board member serves without compensation but may be
12 reimbursed for travel and other actual and reasonable expenses
13 incurred in the performance of the member's duties on the board.

14 (f) The board is administratively attached to the Health and
15 Human Services Commission.

16 Sec. 2177.004. DUTIES OF BOARD. (a) The board shall:

17 (1) develop and implement the initiative and related
18 programs established by this chapter;

19 (2) establish procedures and policies for the
20 administration of the initiative;

21 (3) establish procedures to document compliance by
22 board members and personnel with applicable laws governing
23 conflicts of interest;

24 (4) ensure that a program or entity created under this
25 chapter meets any applicable licensing or accreditation
26 requirements under state or federal law; and

27 (5) recommend rules necessary to implement this

1 chapter for adoption by the executive commissioner of the Health
2 and Human Services Commission.

3 (b) To carry out the purposes of this chapter the board may:

4 (1) execute contracts and other instruments and
5 conduct all activities the board determines necessary for those
6 purposes;

7 (2) authorize one or more board members to execute
8 contracts and other instruments on behalf of the board;

9 (3) establish a committee or other similar entity to
10 exercise powers delegated by the board and exercise any other
11 administrative duties or powers as the board considers necessary;

12 (4) employ an executive director and necessary
13 personnel to provide administrative support; and

14 (5) award grants to public or private persons to
15 implement the initiative.

16 (c) The board may refrain from establishing a program or
17 entity under this chapter if the board determines that
18 establishment is not feasible with current resources or considering
19 other state-funded programs.

20 (d) A contract or agreement executed under this chapter must
21 comply with Chapter 2254, if applicable.

22 Sec. 2177.005. PHARMACY BENEFIT MANAGER. (a) The board
23 shall contract for a statewide pharmacy benefit manager, as
24 provided by Subchapter H, Chapter 2158, to provide cost-effective
25 prescription drugs through the establishment of a pharmacy network
26 to state entities served by the initiative.

27 (b) The pharmacy benefit manager shall provide pricing

1 transparency, a pass-through of all rebates and fees, and fair and
2 equitable pricing to a pharmacy that participates in the pharmacy
3 benefit manager's pharmacy network.

4 (c) The pharmacy benefit manager shall contract with
5 appropriate persons to:

6 (1) provide an evidence-based benefit design, a prior
7 authorization process, and a new drug review process; and

8 (2) partner with suppliers, pharmaceutical
9 manufacturers, and group purchasing organizations for competitive
10 acquisition of prescription drugs and medical supplies.

11 Sec. 2177.006. DISTRIBUTION OF PRESCRIPTION DRUGS AND
12 MEDICAL SUPPLIES. (a) The board shall establish and implement a
13 central service center and an associated network of satellite
14 distribution facilities to provide prescription drugs and medical
15 supplies to individuals described by Section 2177.002 for state
16 entities that elect to participate in the initiative. The center
17 must:

18 (1) be constructed to withstand extreme weather
19 conditions, natural disasters, and power outages;

20 (2) be capable of providing disaster preparedness and
21 response resources statewide; and

22 (3) include a mail order pharmacy and specialty
23 pharmacy.

24 (b) The central service center may assess an inventory
25 storage charge, transaction fees, or other fees on persons
26 obtaining prescription drugs and medical supplies from the center
27 to support the center's distribution and other operational costs,

1 including overhead and margin.

2 (c) The mail order and specialty pharmacy established in the
3 central service center may assess delivery and handling fees on
4 persons receiving prescription drugs from the pharmacy.

5 Sec. 2177.007. PHARMACEUTICAL ADVANCED PREPARATION
6 FACILITY. (a) The board shall establish a pharmaceutical advanced
7 preparation facility to serve as an outsourcing facility in
8 compliance with Section 503B, Federal Food, Drug, and Cosmetic Act
9 (21 U.S.C. Section 353b), to:

10 (1) manufacture and provide compounded drugs;

11 (2) provide chimeric antigen receptor T-cell
12 treatment and other gene therapies, including precision medicine;
13 and

14 (3) provide advanced laboratories for quality
15 control, preparation, and compounding of drugs in support of
16 innovative therapeutics and drug research.

17 (b) The pharmaceutical advanced preparation facility shall
18 be operated by an organization established by the board that is
19 exempt from federal income taxation under Section 501(a), Internal
20 Revenue Code of 1986, by being listed as an exempt entity under
21 Section 501(c)(3) of that code.

22 (c) The pharmaceutical advanced preparation facility may
23 charge fees to persons to whom the facility provides drugs,
24 treatment, supplies, or other services to support the operational
25 costs of the facility, including overhead and margin.

26 Sec. 2177.008. ADVANCED HEALTH CARE COST AND CLAIMS
27 ANALYTIC SERVICES. (a) The board shall contract with a person to

1 provide advanced health care claims analytics software to support
2 the programs and entities created by this chapter and to support
3 population health research.

4 (b) The board shall develop criteria for the evaluation of
5 applications or proposals submitted by a person seeking to contract
6 with the board under this section.

7 Sec. 2177.009. GENERIC BIOLOGICAL PRODUCT AND GENERIC DRUG
8 MANUFACTURING FACILITY. (a) The board may enter into an agreement
9 with a person to establish a facility that manufactures generic
10 biological products and generic drugs in compliance with any
11 requirements of the federal Food and Drug Administration. In
12 entering into the agreement, the board shall prioritize savings and
13 access to affordable medications.

14 (b) The board shall develop criteria for the evaluation of
15 applications or proposals submitted by a person seeking to contract
16 with the board under this section.

17 Sec. 2177.010. CONFIDENTIALITY OF CERTAIN INFORMATION. Any
18 information received by the board, a program or entity created by
19 this chapter, a state entity participating in the initiative, or a
20 contractor or agent of the board that if directly or indirectly
21 disclosed is likely to compromise the financial, competitive, or
22 proprietary nature of the information, is confidential and not
23 subject to disclosure under Chapter 552.

24 Sec. 2177.011. TEXAS PHARMACEUTICAL INITIATIVE FUND. (a)
25 The Texas Pharmaceutical Initiative fund is created as a trust fund
26 to be held by the comptroller outside the state treasury.

27 (b) The fund consists of:

1 (1) money from gifts, grants, and donations to the
2 fund;

3 (2) any additional legislative appropriations of
4 money for the purposes of the fund; and

5 (3) interest, dividends, and other income of the fund.

6 (c) The board may only use money in the fund to carry out the
7 purposes of this chapter.

8 (d) The board shall develop procedures for administration
9 and approval of expenditures of the fund.

10 Sec. 2177.012. FUNDING. The board may accept gifts,
11 grants, and donations from any public or private source for the
12 purpose of carrying out this chapter.

13 Sec. 2177.013. ANNUAL REPORT. Not later than December 31 of
14 each year, the board shall submit to the legislature a written
15 report on:

16 (1) the activities and objectives of the initiative;

17 (2) any cost savings for state entities that
18 participate in the initiative; and

19 (3) any recommendations for legislative or other
20 action.

21 Sec. 2177.014. SUNSET PROVISION. The board and the
22 initiative established under this chapter are subject to Chapter
23 325, Government Code (Texas Sunset Act). Unless continued in
24 existence as provided by that chapter, the board and the initiative
25 are abolished and this chapter expires September 1, 2035.

26 SECTION 2. This Act takes effect immediately if it receives
27 a vote of two-thirds of all the members elected to each house, as

H.B. No. 4990

1 provided by Section 39, Article III, Texas Constitution. If this
2 Act does not receive the vote necessary for immediate effect, this
3 Act takes effect September 1, 2023.

ADOPTED

MAY 24 2023

Latey
Secretary of the Senate
BY: *[Signature]*

FLOOR AMENDMENT NO. 1

1 Amend H.B. No. 4990 (senate committee report) by striking all
2 below the enacting clause and substituting the following:

3 SECTION 1. Subtitle D, Title 10, Government Code, is
4 amended by adding Chapter 2177 to read as follows:

5 CHAPTER 2177. TEXAS PHARMACEUTICAL INITIATIVE

6 Sec. 2177.001. DEFINITIONS. In this chapter:

7 (1) "Advisory council" means the Texas Pharmaceutical
8 Initiative Advisory Council established under this chapter.

9 (2) "Board" means the governing board of the
10 initiative.

11 (3) "Commission" means the Health and Human Services
12 Commission.

13 (4) "Generic biological product" means a biological
14 product approved pursuant to an application under Section 351(k),
15 Public Health Service Act (42 U.S.C. Section 262(k)).

16 (5) "Generic drug" means a prescription drug approved
17 pursuant to an application under Section 505(j), Federal Food,
18 Drug, and Cosmetic Act (21 U.S.C. Section 355(j)).

19 (6) "Initiative" means the Texas Pharmaceutical
20 Initiative established under this chapter.

21 Sec. 2177.002. TEXAS PHARMACEUTICAL INITIATIVE. The Texas
22 Pharmaceutical Initiative is established to provide cost-effective
23 access to prescription drugs and other medical supplies for:

24 (1) employees, dependents, and retirees of public
25 higher education systems and institutions;

26 (2) Employees Retirement System of Texas members;

27 (3) Teacher Retirement System of Texas members;

28 (4) persons confined by the Texas Department of
29 Criminal Justice or the Texas Juvenile Justice Department; and

1 (5) individuals served by a program operated or
2 administered by the health and human services system, as that term
3 is defined by Section 531.001.

4 Sec. 2177.003. BOARD. (a) The initiative is governed by a
5 board composed of three members appointed by the governor.

6 (b) The governor shall designate the presiding officer of
7 the board.

8 (c) A board member serves without compensation but may be
9 reimbursed for travel and other actual and reasonable expenses
10 incurred in the performance of the member's duties on the board.

11 Sec. 2177.004. BOARD MEMBER QUALIFICATIONS. (a) A person
12 may not serve as a board member if the person:

13 (1) has held any other elective public office during
14 the preceding five years; or

15 (2) is an employee of an entity served by the
16 initiative.

17 (b) Not more than one-third of the members of the board
18 serving at any one time may derive more than 10 percent of their
19 annual income from the health care, insurance, or pharmaceutical
20 industry.

21 Sec. 2177.005. BOARD POWERS AND DUTIES. (a) The board may:

22 (1) develop and implement the initiative and any
23 programs established by this chapter;

24 (2) establish procedures and policies for the
25 administration of the initiative; and

26 (3) establish procedures to document compliance by
27 board members and personnel with applicable laws governing
28 conflicts of interest.

29 (b) To carry out the purposes of this chapter and implement
30 the initiative, the board may:

31 (1) hire and employ an executive director and

1 necessary personnel to provide administrative support;

2 (2) execute contracts and other instruments and
3 conduct all activities the board determines necessary for those
4 purposes;

5 (3) authorize one or more board members to execute
6 contracts and other instruments on behalf of the board; and

7 (4) establish a committee or other similar entity to
8 exercise powers delegated by the board and exercise any other
9 administrative duties or powers as the board considers necessary.

10 Sec. 2177.006. BUSINESS PLAN. Not later than October 1,
11 2024, the board shall develop and submit to the governor, the
12 legislature, and the Legislative Budget Board a business plan on:

13 (1) implementing the initiative, including the
14 initiative's organizational structure and related programs;

15 (2) establishing procedures and policies for the
16 administration of the initiative, including documenting the
17 process and resources required for the provision to individuals
18 described by Section 2177.002 of the following services:

19 (A) establishing or contracting for statewide
20 pharmacy benefit manager services;

21 (B) establishing policies and conditions to
22 operate or contract for the operation of a distribution network,
23 central service center, and associated network of satellite
24 distribution facilities to distribute prescription drugs and
25 related medical supplies; and

26 (C) providing advanced pharmaceutical
27 preparation and related services, including:

28 (i) manufacturing generic drugs and generic
29 biological products;

30 (ii) providing gene therapies and precision
31 medicine; and

1 (iii) providing advanced laboratories for
2 quality control, preparation, and compounding of drugs in support
3 of innovative therapeutics and drug research;

4 (3) establishing procedures to document compliance by
5 board members and personnel with applicable laws governing
6 conflicts of interest;

7 (4) establishing the conditions for state agencies
8 that facilitate health plans to participate in the initiative;

9 (5) identifying potential cost savings from
10 implementation of the initiative;

11 (6) identifying the funding and resources needed to
12 implement this chapter; and

13 (7) providing other board recommendations, with
14 supporting documentation, on continuation of the initiative.

15 Sec. 2177.007. ADMINISTRATIVE ATTACHMENT. (a) The board
16 is administratively attached to the commission.

17 (b) The commission shall provide administrative support
18 services to the board as necessary to carry out the purposes of this
19 chapter.

20 Sec. 2177.008. ADVISORY COUNCIL. (a) The Texas
21 Pharmaceutical Initiative Advisory Council is established to
22 advise the board in implementing this chapter and carrying out the
23 duties imposed on the board under this chapter.

24 (b) The advisory council is composed of:

25 (1) the executive commissioner of the commission or
26 the executive commissioner's designee;

27 (2) the executive director of the Employees Retirement
28 System of Texas or the executive director's designee;

29 (3) the executive director of the Teacher Retirement
30 System of Texas or the executive director's designee;

31 (4) the chancellor of The University of Texas System

1 or the chancellor's designee; and

2 (5) the chancellor of The Texas A&M University System
3 or the chancellor's designee.

4 Sec. 2177.009. CONFLICTS OF INTEREST. Except as otherwise
5 provided by this chapter, Chapter 572 applies to the initiative.

6 Sec. 2177.010. EXPIRATION OF CHAPTER. This chapter expires
7 September 1, 2025.

8 SECTION 2. This Act takes effect immediately if it receives
9 a vote of two-thirds of all the members elected to each house, as
10 provided by Section 39, Article III, Texas Constitution. If this
11 Act does not receive the vote necessary for immediate effect, this
12 Act takes effect September 1, 2023.

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 25, 2023

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4990 by Bonnen (Relating to the Texas Pharmaceutical Initiative; authorizing fees.), **As Passed 2nd House**

The fiscal implications of the bill cannot be determined due to uncertainty in the costs to implement the Texas Pharmaceutical Initiative and potential savings related to the effects on prescription drug prices.

The bill would establish the Texas Pharmaceutical Initiative (the initiative) to provide cost-effective access to prescription drugs and other medical supplies for employees, dependents, and retirees of public higher education systems and institutions, Employees Retirement System members, Teacher Retirement System members, persons confined by the Texas Department of Criminal Justice or the Texas Juvenile Justice Department, and individuals served by a program operated or administered by the health and human services system.

The bill would establish a governing board for the initiative (the board) that would be administratively attached to the Health and Human Services Commission (HHSC). The board would be authorized to develop and implement the initiative and related programs. The board would be required to develop and submit a business plan on implementing the initiative to the governor, the legislature, and the Legislative Budget Board by October 1, 2024. The bill would establish the Texas Pharmaceutical Initiative Advisory Council to advise the board.

The chapter establishing the initiative, board, and advisory council would expire September 1, 2025.

According to HHSC, the agency would require 25.6 full-time equivalents (FTEs), including accountants, attorneys, analysts, and other positions, each fiscal year to provide administrative support to the board as required by the bill. HHSC indicates the costs for FTEs would be \$5.5 million in fiscal year 2024 and \$5.3 million in fiscal year 2025.

In addition, HHSC indicates there would be \$1.0 million in costs in fiscal year 2024 relating to contracting with a consultant to develop the business plan.

It is assumed that there could be additional significant costs related to staffing and contracting for the board, but the costs cannot be determined because there is not enough information available on the level of staffing and contracting that would be required by the board to implement the initiative.

It is assumed that implementation of the bill could result in a savings to the state due to a decrease in the cost of prescription drugs for entities and organizations served by the initiative, but the potential savings cannot be determined due to the unavailability of data on how the implementation of the initiative would affect prescription drug prices.

Local Government Impact

The fiscal implications of the bill cannot be determined at this time.

Source Agencies: 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 327 Employees Retirement System, 529 Health and Human Services Commission, 644 Juvenile Justice Department, 696 Department of Criminal Justice, 720 The University of Texas System Administration

LBB Staff: JMc, NPe, ER, NDA, SD, NV

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 19, 2023

TO: Honorable Lois W. Kolkhorst, Chair, Senate Committee on Health & Human Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4990 by Bonnen (Relating to the Texas Pharmaceutical Initiative; authorizing fees.), **As Engrossed**

The fiscal implications of the bill cannot be determined due to uncertainty in the costs to implement the components of the Texas Pharmaceutical Initiative and potential savings related to the effects on prescription drug prices.

The governing board of the Texas Pharmaceutical Initiative could refrain from establishing a program or entity under this bill if the board determines that establishment is not feasible with current resources or considering other state-funded programs.

The bill would establish the Texas Pharmaceutical Initiative (the initiative) to provide cost-effective access to prescription drugs and other medical supplies for employees, dependents, and retirees of public higher education systems and institutions, Employees Retirement System members, Teacher Retirement System members, persons confined by the Texas Department of Criminal Justice or the Texas Juvenile Justice Department, recipients of Medicaid, and enrollees of the Children's Health Insurance Program.

The bill would establish a governing board for the initiative (the board) that would be administratively attached to the Health and Human Services Commission. The board would be required to develop and implement the initiative and related programs. It is assumed that there would be significant costs related to staffing and administrative support for the board, but the costs cannot be determined because there is not enough information available on the level of staffing and support that would be required by the board to implement the initiative.

The board would be required to contract for a statewide pharmacy benefit manager to provide cost-effective prescription drugs to state entities served by the initiative; establish and implement a central service center and an associated network of satellite distribution facilities to provide prescription drugs and medical supplies; establish a pharmaceutical advanced preparation facility; and contract to provide advanced health care claims analytics software. The board would be authorized to enter into an agreement to establish a facility providing for the manufacturing of generic biological products and generic drugs. It is assumed that there would be significant costs and potential fee revenue related to the statewide pharmacy benefit manager, the central service center and satellite distribution facilities, the pharmaceutical advanced preparation facility, the analytics software, and the manufacturing of generic drugs, but the costs and revenue cannot be determined due to uncertainty in the scale of the program, related contracting costs, potential fees, and the timeline for implementation.

It is assumed that implementation of the bill could result in a savings to the state due to a decrease in the cost of prescription drugs for entities and organizations served by the initiative, but the potential savings cannot be determined due to the unavailability of data on how the implementation of the initiative would affect prescription drug prices.

The bill would establish the Texas Pharmaceutical Initiative Fund as a trust fund outside the treasury consisting of gifts, grants, and donations; any additional appropriations; and interest, dividends, and other income of the fund. The amount of funding required for the trust fund cannot be estimated.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either in, with, or outside the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

The fiscal implications of the bill cannot be determined at this time.

Source Agencies: 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 327 Employees Retirement System, 529 Health and Human Services Commission, 644 Juvenile Justice Department, 696 Department of Criminal Justice, 720 The University of Texas System Administration

LBB Staff: JMc, NPe, ER, NDA, NV

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 23, 2023

TO: Honorable Sam Harless, Chair, House Committee on Health Care Reform, Select

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4990 by Bonnen (relating to the Texas Pharmaceutical Initiative; authorizing fees.), **Committee Report 1st House, Substituted**

The fiscal implications of the bill cannot be determined due to uncertainty in the costs to implement the components of the Texas Pharmaceutical Initiative and potential savings related to the effects on prescription drug prices.

The governing board of the Texas Pharmaceutical Initiative could refrain from establishing a program or entity under this bill if the board determines that establishment is not feasible with current resources or considering other state-funded programs.

The bill would establish the Texas Pharmaceutical Initiative (the initiative) to provide cost-effective access to prescription drugs and other medical supplies for employees, dependents, and retirees of public higher education systems and institutions, Employees Retirement System members, Teacher Retirement System members, persons confined by the Texas Department of Criminal Justice or the Texas Juvenile Justice Department, recipients of Medicaid, and enrollees of the Children's Health Insurance Program.

The bill would establish a governing board for the initiative (the board) that would be administratively attached to the Health and Human Services Commission. The board would be required to develop and implement the initiative and related programs. It is assumed that there would be significant costs related to staffing and administrative support for the board, but the costs cannot be determined because there is not enough information available on the level of staffing and support that would be required by the board to implement the initiative.

The board would be required to contract for a statewide pharmacy benefit manager to provide cost-effective prescription drugs to state entities served by the initiative; establish and implement a central service center and an associated network of satellite distribution facilities to provide prescription drugs and medical supplies; establish a pharmaceutical advanced preparation facility; and contract to provide advanced health care claims analytics software. The board would be authorized to enter into an agreement to establish a facility providing for the manufacturing of generic biological products and generic drugs. It is assumed that there would be significant costs and potential fee revenue related to the statewide pharmacy benefit manager, the central service center and satellite distribution facilities, the pharmaceutical advanced preparation facility, the analytics software, and the manufacturing of generic drugs, but the costs and revenue cannot be determined due to uncertainty in the scale of the program, related contracting costs, potential fees, and the timeline for implementation.

It is assumed that implementation of the bill could result in a savings to the state due to a decrease in the cost of prescription drugs for entities and organizations served by the initiative, but the potential savings cannot be determined due to the unavailability of data on how the implementation of the initiative would affect prescription drug prices.

The bill would establish the Texas Pharmaceutical Initiative Fund as a trust fund outside the treasury consisting of gifts, grants, and donations; any additional appropriations; and interest, dividends, and other income of the

fund. The amount of funding required for the trust fund cannot be estimated.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either in, with, or outside the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

The fiscal implications of the bill cannot be determined at this time.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 327 Employees Retirement System, 529 Health and Human Services Commission, 644 Juvenile Justice Department, 696 Department of Criminal Justice, 720 The University of Texas System Administration

LBB Staff: JMc, NPe, ER, NDA, NV

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 12, 2023

TO: Honorable Sam Harless, Chair, House Committee on Health Care Reform, Select

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4990 by Bonnen (Relating to the creation, management, and administration of the Texas Pharmaceutical Initiative.), **As Introduced**

The fiscal implications of the bill cannot be determined due to uncertainty in the costs to implement the components of the Texas Pharmaceutical Initiative and potential savings related to the effects on prescription drug prices.

The governing board of the Texas Pharmaceutical Initiative is required to implement a provision of the bill only if the legislature appropriates money specifically for that purpose. If the legislature does not appropriate money specifically for that purpose, the board may, but is not required to, implement a provision of the bill using other appropriations available for that purpose.

The bill would establish the Texas Pharmaceutical Initiative (the initiative) to provide cost effective prescription drug access for employees, dependents, and retirees of public higher education systems and institutions, Employees Retirement System members, Teacher Retirement System members, persons confined by the Texas Department of Criminal Justice or the Texas Juvenile Justice Department, recipients of Medicaid, enrollees of the Children's Health Insurance Program, and other public, non-profit, and for-profit entities.

The bill would establish a governing board for the initiative (the board) that would be administratively attached to the Health and Human Services Commission (HHSC). The board would be required to develop and implement the initiative and related programs. It is assumed that there would be significant costs related to staffing and administrative support for the board, but the costs cannot be determined because there is not enough information available on the level of staffing and support that would be required by the board to implement the initiative.

The board would be required to implement a statewide transparent pharmacy benefit manager to provide cost-effective prescription drugs to entities and organizations served by the initiative; establish and implement a central service center and associated network of satellite distribution facilities to provide pharmacy and medical supplies; establish a pharmaceutical advanced preparation facility; and contract to provide advanced health care cost and claims analytic services. The board would be authorized to enter into an agreement to establish a facility providing for the manufacturing of generic drugs. It is assumed that there would be significant costs and potential fee revenue related to the statewide transparent pharmacy benefit manager, the central service center and satellite distribution facilities, the pharmaceutical advanced preparation facility, the analytic services, and the manufacturing of generic drugs, but the costs and revenue cannot be determined due to uncertainty in the scale of the program, related contracting costs, potential fees, and the timeline for implementation.

It is assumed that implementation of the bill could result in a savings to the state due to a decrease in the cost of prescription drugs for entities and organizations served by the initiative, but the potential savings cannot be determined due to the unavailability of data on how the implementation of the initiative would affect prescription drug prices.

The bill would establish the Texas Pharmaceutical Initiative Fund as a trust fund outside the treasury consisting of gifts, grants, donations, and other appropriations or designations from the legislature to be used to implement the initiative. The amount of funding required for the trust fund cannot be estimated.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either in, with, or outside the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

The fiscal implications of the bill cannot be determined at this time.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 327 Employees Retirement System, 529 Health and Human Services Commission, 644 Juvenile Justice Department, 696 Department of Criminal Justice, 720 The University of Texas System Administration

LBB Staff: JMc, NPe, ER, NDA, NV

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

TAX/FEE EQUITY NOTE

88TH LEGISLATIVE REGULAR SESSION

April 25, 2023

TO: Honorable Sam Harless, Chair, House Committee on Health Care Reform, Select

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4990 by Bonnen (relating to the Texas Pharmaceutical Initiative; authorizing fees.), **Committee Report 1st House, Substituted**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source

Agencies:

LBB Staff: JMc, KK

LEGISLATIVE BUDGET BOARD
Austin, Texas

TAX/FEE EQUITY NOTE

88TH LEGISLATIVE REGULAR SESSION

April 13, 2023

TO: Honorable Sam Harless, Chair, House Committee on Health Care Reform, Select

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4990 by Bonnen (Relating to the creation, management, and administration of the Texas
Pharmaceutical Initiative.), **As Introduced**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source

Agencies:

LBB Staff: JMc, KK