

BILL ANALYSIS

Senate Research Center
89R25426 MPF-D

H.B. 4638
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Health & Human Services
5/12/2025
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

One of the largest drivers of rising healthcare costs is prescription drug pricing and anti-competitive practices in the market, particularly by pharmacy benefit managers.

Last session, H.B. 4638 established the Texas Pharmaceutical Initiative (TPI) to reduce prescription drug costs for Texas taxpayers by creating a more sustainable and transparent pharmaceutical supply and management system.

H.B. 4638 directed the establishment of TPI, a state entity to provide or contract for statewide pharmacy benefit management services with a focus on price transparency, to drive savings for the major state funded health plans. Beneficiaries of the initiative include employees, dependents, and retirees of the public higher education systems and institutions, Employees Retirement System, and Teacher Retirement System, and persons confined by the Texas Department of Criminal Justice or the Texas Juvenile Justice Department. The bill also directed examination of adding members of Medicaid and the Children's Health Insurance Program (CHIP).

H.B. 4638 provides an extension of TPI by removing the expiration date in the authorizing statute, and expanding the board members and ongoing planning requirements.

H.B. 4638 amends current law relating to the Texas Pharmaceutical Initiative.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2177.003(a), Government Code, to provide that the Texas Pharmaceutical Initiative (initiative) is governed by a board composed of five, rather than three, members appointed by the governor.

SECTION 2. Amends Chapter 2177, Government Code, by adding Section 2177.0035, as follows:

Sec. 2177.0035. TERMS; VACANCIES. (a) Provides that board members serve staggered six-year terms, with one-third or as near as possible to one-third of the members' terms expiring February 1 of each odd-numbered year.

(b) Requires that a vacancy on the board be filled for the unexpired term in the same manner as the original appointment.

SECTION 3. Amends Section 2177.006, Government Code, as follows:

Sec. 2177.006. BUSINESS PLAN. Requires the board, not later than June 1 of each even-numbered year, rather than not later than October 1, 2024, to prepare, rather than develop, and submit to the governor, the legislature, and the Legislative Budget Board a

business plan on certain matters, including providing recommendations on best practices and cost savings related to the provision of pharmacy benefits using program utilization. Makes nonsubstantive changes.

SECTION 4. Amends Section 2177.010, Government Code, to provide that Chapter 2177 (Expiration of Chapter) expires September 1, 2031, rather than September 1, 2025.

SECTION 5. (a) Requires the governor, as soon as practicable after the effective date of this Act, to appoint the governing board members for the initiative as required by Section 2177.003 (Board), Government Code, as amended by this Act.

(b) Requires the governor, notwithstanding Section 2177.0035, Government Code, as added by this Act, in making the appointments of the governing board members for the initiative under Subsection (a) of this section, to designate two members to serve terms expiring February 1, 2027, two members to serve terms expiring February 1, 2029, and one member to serve a term expiring February 1, 2031.

SECTION 6. Effective date: September 1, 2025.