



Health and Human Services

Texas Pharmaceutical Initiative Advisory Council (TPIAC)

March 25, 2026

This summary contains supplemental information from reliable sources where that information provides clarity to the issues being discussed. Power Point tables used in the presentations may also be used in this summary. Names of individuals may be misspelled but every attempt has been made to ensure accuracy. Tables and Text have been used from executive and legislative agencies and departments' presentations and publications.





In accordance with TGC § 2177.008, the Texas Pharmaceutical Initiative Advisory Council (TPIAC) was established to advise the board on implementing TPI and carrying out the duties imposed on the board.

A. The TPIAC is composed of:

1. The executive commissioner of HHSC or the executive commissioner's designee;
2. The executive director of the Employees Retirement System of Texas or the executive director's designee;
3. The executive director of the Teacher Retirement System of Texas or the executive director's designee;
4. The chancellor of The University of Texas System or the chancellor's designee;
and
5. The chancellor of The Texas A&M University System or the chancellor's designee.

B. Advisory Council Operations and Meetings

1. The board may ask members of the TPIAC to attend board meetings to provide information related to the agency they represent and give advice on implementing TPI.
2. The TPIAC is subject to the Open Meetings Act (OMA), as if it were a governmental body.
3. The presence of a quorum of the TPIAC:
 - a. Constitutes a TPIAC meeting that requires posting appropriate notice of the meeting as a full meeting of the TPIAC in accordance with the OMA; and
 - b. Requires the TPIAC meeting to be held in compliance with the OMA, including posting appropriate notice of the meeting and keeping a recording or meeting minutes.

Advisory Council Members

- Michael Lopez, Deputy Executive Commissioner, Operations, Medicaid and CHIP Services Division, Texas Health & Human Services
- Blaise Duran, Director, Group Benefits Program, Employees Retirement System of Texas
- Katrina Daniel, Chief Health Care Officer, Teacher Retirement System of Texas



- Laura Chambers, Executive Director, Office of Employee Benefits, The University of Texas System
- Sheri Meyer, Director, System Benefits Administration, Texas A&M University System

1. Call to order, logistical announcements, and roll call. This inaugural meeting of the Council was convened by Katrina Daniel, presiding officer for this meeting.

2. Introduction of TPIAC members (designees), see Texas Government Code Section 2177.008.

3. Discussion of TPI Bylaws and relation to TPIAC including process for designating Presiding Officer at subsequent meetings

Texas Government Code 2177 creates the advisory council to advise the TPI board; statute is broad/silent on many operational details. TPI bylaws (adopted March 2024) treat the advisory council as operating like a governmental body when it meets, hence open-meeting noticing and public access. Presiding officer was recommended to rotate each meeting in the statutory order (HHSC, ERS, TRS, UT System, Texas A&M). Since the Open Meetings Act applies, the presiding officer must be in person. Council members agreed that the rotation approach.

4. Pursuant to Texas Government Code Section 2177.008: TPIAC will engage in discussions and on advising the TPI Board on matters and activities including:

- Interagency project management for purposes of implementing TPI recommendations under Texas Government Code Chapter 2177 following the submission of the revised business plan by June 1, 2026, pursuant to Texas Government Code Section 2177.006;
- Input on the process for preparing and implementing business plans pursuant to Texas Government Code Section 2177.006;
- Creation of a process to provide feedback on the future role of the TPI, including any statutory changes needed to further define the role of TPI; and
- Any additional advisory requests made by the TPI Board at the March 18, 2026, meeting

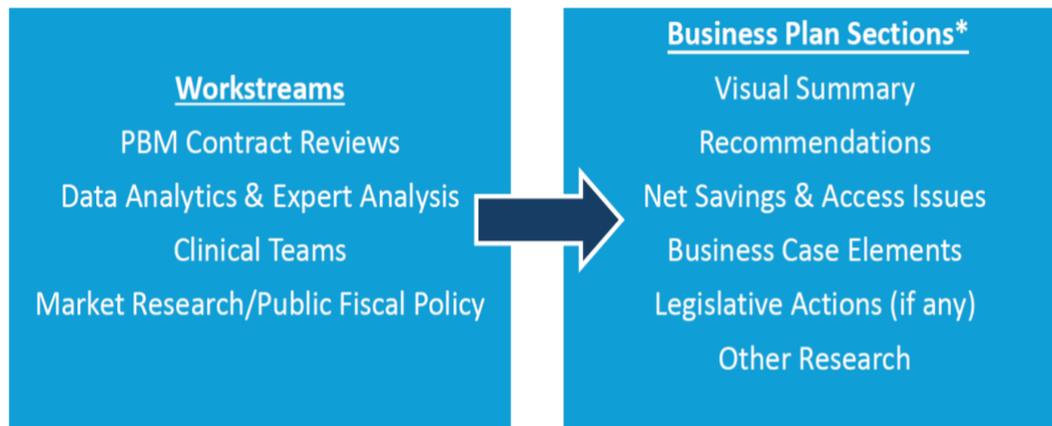
As Background

TPI submitted its business plan to the Governor, Legislature, and the Legislative Budget Board on September 30, 2024. You may utilize the following link to review the [Business Plan for Texas Pharmaceutical Initiative \(PDF\)](#) and the [Business Plan for Texas Pharmaceutical initiative Footnotes \(PDF\)](#) as submitted.

During the 89th Regular Session of the Legislature (2025), Chapter 2177 was amended with the passage of HB 4638, which took effect on September 1, 2025. HB 4368 requires the TPI to submit a revised Business Plan by June 1, 2026. HB 4638 also set TPI's enabling statute to expire on September 1, 2027.

The Proposed Revised Business Plan is subject to TPI Board review and final approval. The revised version will be posted on this webpage following an Electronic and Information Resources accessibility review.

Understanding the Revision of the Revised Business Plan Process



House Bill 4990, 88th Reg. Session & House Bill 4638, 89th Reg. Session (Sec. 2177.006) establishes procedures and policies, document processes and resources required for the provision of the following:

A. Establishing or contracting for statewide pharmacy benefit manager services

B. Establishing policies and conditions to operate or contract for the operation of a distribution network, central service center, and associated network of satellite distribution facilities to distribute prescription drugs and related medical supplies

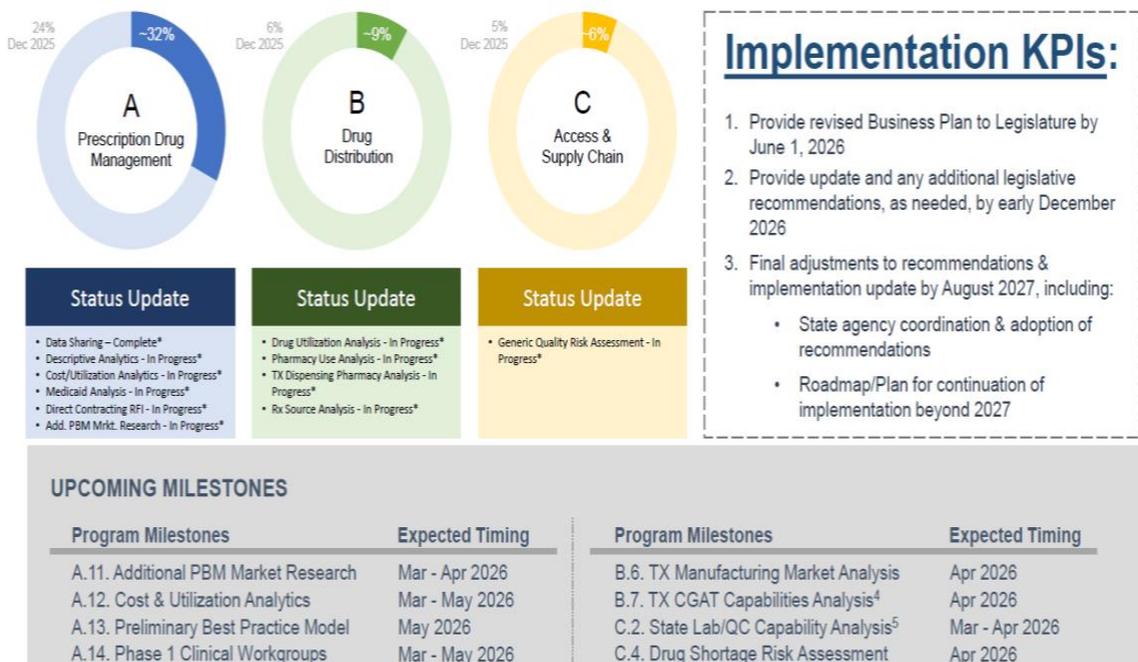
C. Providing advanced pharmaceutical preparation and related services, including:

- i. Manufacturing generic drugs and generic biological products;
- ii. Providing gene therapies and precision medicine; and
- iii. Providing advanced laboratories for quality control, preparation, and compounding of drugs in support of innovative therapeutics and drug research

TPI Program Dashboard

Implementation Status of Programs A, B & C¹

Post June 2025 transition from six to two-year implementation timeline, HB 4638, 89th Reg Sess.²



1. Estimated progress percentages are calculated by dividing number of completed or partially completed Milestones by number of total Milestones for each program, as of October 2025
 2. Does not include early-stage completed work
 3. UT contract sharing is pending due to ongoing RFP and mutual agreement
 4. Cell and Gene Therapies
 5. Quality Control

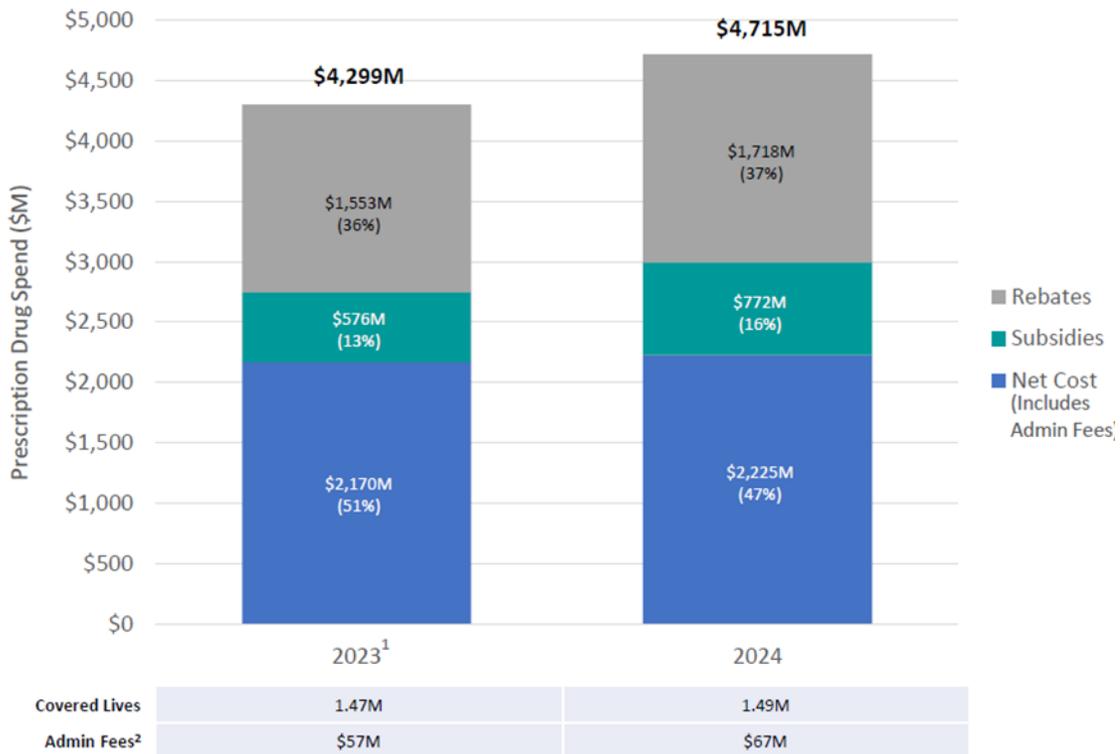
Texas Pharmaceutical Initiative. Revised Business Plan Development

Key Takeaways

- Texas paid ~\$55M more in 2024 for state employee/retiree Rx benefits vs. 2023, net of Rebates & Subsidies received
- Rebates and Subsidies increased YOY, but price inflation & utilization kept pace, increasing Gross Cost and resulting in an aggregate 3% Net Cost (PMPY) increase
- Admin Fees increased 15% (PMPY), but make up only ~3% of total Net Cost

Prescription Drug Spend

Aggregate (Excluding Medicaid/CHIP & TDCJ), Plan Years 2023 & 2024



1. Reflects revised 2023 Subsidy and Net Cost data received from TRS. 2. Excludes SaveOn fees.

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	Per Member Per Year (PMPY) Totals		
	2023	2024	YOY % Increase
Gross Cost	\$2,924	\$3,164	+8%
Rebates	\$1,056	\$1,153	+9%
Subsidies	\$392	\$518	+32%
Net Cost	\$1,476	\$1,493	+3%
Admin Fees ²	\$39	\$45	+15%

Claims Analytics

Answers to key questions (samples)

- Which drugs are Texas agency health plan members using?
- What are the ranges for reimbursement for drugs among the agencies?
- What is the extent of price negotiation and leveraging economies of scale to attain the best deal possible?
- What is the extent of improvements in PBM services that would yield better results?
- How much do the drugs being utilized within a given drug class cost compared to other available drugs within that class?
- Is there opportunity to shift prescribing to alternative, evidence-based therapies and reduce cost?
- Where are the drugs Texas agency employees are utilizing coming from?
- Are any of the drugs being used at risk for shortage?

Market Research

Initial questions to be answered by market research

- What does the full PBM landscape look like?
- Are there any PBMs doing things differently?
- What are the sustainable alternative models for the Texas plans?
- What suppliers are providing PBM service components?

- Are there new direct-to-consumer solutions in the market need that to be considered?
- Are there other direct-to-manufacturer opportunities that could save money or secure access to critical drugs?

Additional questions to be answered - Manufacturing, Supply Chain & Distribution

- To what additional extent do we incentivize manufacturing drugs in Texas, to address shortages or other needs?
- Based on the charge in Ch. 2177, Texas Government Code, what is the state of the current distribution network for drugs and what assessment is needed to determine strengthening the network?
- What are the underlying risks in drug quality and efficacy and what are the means and cost to mitigate the risks?
- How should we optimize access to innovative prescription drug therapies?

Revised Business Plan Alignment (For submission no later than June 2026)

Statute (from HB 4990)	Business Plan Pillar	New Programs	Wave
A. Establishing or contracting for statewide pharmacy benefit manager services	Pillar 1: Pharmacy Benefits Management (PBM) and Payment	A. Determine an ideal, comprehensive pharmacy benefit solution for State of Texas employee and retiree plans	N/A
B. Establishing policies and conditions to operate or contract for the operation of a distribution network, central service center, and associated network of satellite distribution facilities to distribute prescription drugs and related medical supplies	Pillar 3: Prescription drug distribution	B. Evaluate the opportunities, costs and merits of creating & operating (or contracting for the operation of) a state pharmaceutical distribution system/channel to improve access to prescription drugs for patients and providers in Texas	N/A
C. Providing advanced pharmaceutical preparation and related services, including: i. manufacturing generic drugs and generic biological products; ii. providing gene therapies and precision medicine; and iii. providing advanced laboratories for quality control, preparation, and compounding of drugs in support of innovative therapeutics and drug research	Pillar 2: Manufacturing and advanced therapy access	C. Evaluate the opportunities, costs and merits of each of the following: i. State-sponsored or incentivized pharmaceutical manufacturing, including generics and generic biological products ii. Enhancing state-affiliated academic medical centers' ability to provide innovative therapies (e.g. gene therapies and precision medicine) iii. Enabling state-affiliated laboratories to provide support for innovative therapeutics and drug research	N/A

Analyses and evaluations to run concurrently & all recommendations made by end of FY 2027 *

**** These recommendations refer to changes in contracts, new programs, and coordination on purchasing and distribution. Recommendations for related policy and/or legislative changes to enable changes will coincide with FY 2026 plan update.***



Discussion

The Purpose of agenda item 4 was to set a framework for a series of public meetings (2-3) to shape how TPI can best serve participating programs and to inform the TPI board. This group is to define their interaction with the Board. A revised business plan is needed this June.

Project management

Benefits agencies have their own project management functions and processes. They use threshold questions before moving forward with a project. And only move forward if there is a positive cost benefit ratio for members

Internal and external actuarial expertise is often used in looking at outcomes of projects.

A question was asked about how Board recommendations are to be implemented by the Benefits Agencies. The Director stated that was the crux of the discussion. We are hoping to be of as much service as possible in implementing the recommendations. The Council will be active participants in developing recommendations.

A guarantee of savings was suggested as a very good thing in implementing any recommendations. The recommendations would come from the vendor. If the Benefits Agencies were responsible for securing the vendor, then that guarantee would be different and part of the RFP process

When there is a formulary change there is a broad use of impact analyses. Positive formulary changes can be implemented quickly; negative formulary changes take longer. There is a season for formulary changes, before the benefits year begins. A midyear change can be difficult. (grandfathering people on the medication while disallowing new prescriptions). Formulary changes are usually finalized by May.

University plan changes go to the Chancellor for approval. Retirement plans will go to the board or executive director depending on complexity, scale and scope of the change. They also use benefits advisory panels.

PBMs know how to get around almost anything you want to do.



The framework should accommodate the differences, and a draft will be developed by staff and then brought back to the Council for consideration.

Changes should be brought to the council to determine the timelines necessary for implementation.

Business cases will be developed that accommodate the upsides and downsides. We want a document that will be useful in explaining to the decision making process within each benefits agency. What we hope to avoid is to be in a Council meeting and present a recommendation that is a surprise to the Council.

Process

Board contracted with McKensey and Company with a quick turnaround. They looked at other states and extrapolated savings. That was then set on a six year timeline. The Legislature put the Board on a two year timeline. There was then necessary compression of time requirements. This operationally turned into 15 working months.

At a very high level, there are market work plans being implemented and clinical review teams involved.

The flaw in the McKinsey work is that it was not informed by the work in the benefits agency plans. Th Board echoed that sentiment stating that there is a need to get the focus and challenges of the Texas plans.

Interstate cooperatives should be looked at (collaboration with other states) The Director asked how multistate collaboratives can be developed with the benefits agencies. Agencies said it is as simple as calling colleagues in other states to start a conversation.

Texas is already bigger than many multistate collaboratives. It begs the question of what is the Texas benefit of multistate collaboratives.

Different states come from different places and policy positions. Motivations can be different and incompatible. We have not looked at purchasing collaboratives as such. We have collaborated on policies and discussion. Our focus is on saving money for beneficiaries while providing the best service.



It never hurts to get more people for larger economies of scale. Texas benefits agencies are already so big they get the “better deal”. Finding the tipping point where the best deal possible is reached is the mystery.

We already reach out to other states to see what other states are doing and sharing contract language, etc. It would not be difficult to go out to other states to get ideas.

With the system as it is, the Texas benefits agencies believe they do have the best deal.

Statute Change Ideas

Benefits Agencies are eager to see the analytics that have been conducted. Once we get to see this, the conversation can be had regarding what is next.

The Board is not a regulatory agency. They put together a business plan (best practices and cost savings) and then implement it.

If the recommendations are positive, then keeping it on a two-year timeline would not make sense. Underlying cost analysis takes time. Time is needed to implement and then more time to determine impact. It will take a while to determine the benefit.

Changes in PBM’s policy causes a response from the benefits agencies. The system keeps moving (PBMs new age medications) and there is no shortage of work for the TPI. If there is no TPI then benefits agencies will have to do the analysis.

Policy alignment among benefits agencies would be helpful (not at the legislative level but at the plan level). An example would be GLP1s. Identification of those areas that are at the plan management level and then analyzing and sharing those, then standing behind a position.

Once business practices are in place then the data may show that a policy position would make sense. Mandates benefits are sometimes good but sometimes are driven by special interests. A TPI recommendation would provide a solid base upon which plans could operate.



As we move to meet statutory obligations while meeting the needs of the benefits agencies, the marketplace is changing, and there are universal problems that TPI could address.

5. Public comment No public comment was offered

6. Review of action items from the current meeting and discussion of timing and agenda items for future meetings, creating workplans for the Advisory Council, and important dates

Staff will go back and put together a meeting summary with action items.

It was decided that quarterly meetings would be beneficial and perhaps in conjunction with the TPI Board meeting.

If there is something this Council would want to develop for Board consideration, then they would have to meet prior to June 1.

It was decided to meet quarterly with a two week lead time and the next meeting is yet to be determined

7. Adjourn. There being no further business, the meeting was adjourned.

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