

TPI Board Meeting

June 11, 2024



Summary:

The Texas Pharmaceutical Initiative (TPI) board held its 5th meeting on June 11, 2024. Reminder that HB 4990 from the 88th Legislative Session created the TPI and tasked the board with developing a business plan for TPI to submit to the legislature for consideration next session.

The next meeting will be held on July 16th at 1pm at the Winters Building.

View the meeting agenda [here](#).

TPI Board: Dr. Mike McKinney (chair), Dr. Goldina Erowele, Tony Schell

Key Discussions:

- TPI has hired three new employees: Monica Allen as the Staff Services Officer, Melissa Pattison as the TPI Contract Manager and Management Analyst, and Jim Day as the General Counsel.
- A representative from the Office of the Governor's Texas Economic Development & Tourism Office presented on business recruitment in Texas.
- The conversation was focused on drug manufacturing in Texas and looking for incentives on how to avoid drug shortages.
- McKinsey & Company, the consulting firm chosen to write the TPI business plan, presented on how they will develop the plan, noting it will be done in three phases.
- The three challenges identified by McKinsey & Company include pharmaceutical coverage and pharmacy benefit management, pharmaceutical and medical supply distribution, and generic drug and biological manufacturing.
- The board basically told McKinsey & Company they have missed some major pieces of the TPI. Dr. McKinney stressed the differences between Medicaid employed populations and state employed populations.
- The Board members will be conducting interviews on June 21st for the TPI Executive Director Position.

Introduction of New TPI Staff

- Dr. McKinney introduced Monica Allen, the Staff Services Officer (SSO) and TPI Board Liaison. She will assist with meeting arrangements and meeting content and has experience with various state agencies.
- Mellissa Pattison is the TPI Contract Manager and Management Analyst. She comes from the OAG as a contract manager.
- Jim Day will be the General Counsel. He is currently with the OIG and has over 20 years experience as an attorney. He will officially start on June 24th.
- Dr. McKinney said he greatly appreciates these people wanting to join the TPI team, and he is hopeful that they can help the Board stay focused and will be assets to the team.

Office of the Governor's Texas Economic Development & Tourism presentation on business recruitment

- Larry McManus, Director of Business and Community Development, presented on how the Texas Economic Development & Tourism Office (EDT) recruits business in Texas.
- The EDT's mission is to market and promote Texas as a premiere state to do business, bring in investment, and create jobs. More information can be found at gov.texas.gov/business.
- Programs under EDT are Business and Community Development, Economic Development Finance, Texas CHIPS Office, Tourism, Texas Film Commission, Texas Music Office, and the Texas Workforce Investment Council.
- The Business and Community Development (BCD) team focuses on:
 - Business recruitment
 - Retention and expansion
 - Regional offices
 - Small business and permit assistance
 - Economic research
 - International trade
 - Marketing and promotion
- The Community Relations team is available to meet and visit with specific regions and allows the office to have a nimble presence.

- The Economic Development Finance team manages the financial program within the EDT office.
- Companies are looking at the state of Texas for business because of our economic strength. Texas is the #1 top exporter 20 years in a row. Texas does not have a corporate income tax or individual tax. CEOs have ranked Texas as the top place to do business, and the state has several other awards and accolades saying the same.
- The Biotechnology and Life Sciences industry has more than 100,00 workers. The medical industry is big and partners with the Texas Healthcare and Bioscience Institute here in Austin, amongst others.
- In March, EDT announced 56 new projects.
- Prior to COVID, projects were low. After COVID, there are now 350 plus projects currently in the pipeline for Texas thanks to leadership keeping the state open. Most of these projects are in the manufacturing realm.
- In 2023, there were more than 1,200 new projects announced in Texas that created over 38,600 jobs.
- From 2015 to 2024, 297 businesses relocated to Texas creating 6,490 plus jobs.
- The EDT provides many incentives and financing for businesses in Texas, including community incentives, grants, tax incentives, and financing.
- Dr. McKinney said the board is focusing on drug manufacturing in Texas and looking for incentives on how to not run short on drugs and how to avoid supply chain interruption. He said that if we can get the drugs manufactured in Texas, we are less likely to have a shortage. We are focused on what will help the people who live in Texas.
- Dr. McKinney asked what type of local efforts are going on?
- McManus talked about how the Dallas Chamber has a regional effort that encompasses biotechnology where they make sure their community is using their collaboration with their partners and universities to come up with strategic plans to pursue the industry and engage them to pursue the type of industry that they are looking for. He mentioned College Station is doing the same thing.
- Dr. McKinney asked if the locals reach out to the EDT? McManus said it is a collaborative approach that works both ways. Sometimes locals reach out to them and sometimes the EDT reaches out to the locals.
- McManus stated that it is not unusual for the state to have several different sites being considered for a project while other states only have one.

- Dr. McKinney said Texas is so big in size and in terms of the drug shortage, there needs to be more drug distribution centers.
- McManus said the General Land Office is the agency that governs state lands and is a partner of the EDT who they can engage with on this.
- Dr. McKinney said that TPI is looking at manufacturing small drug batches and that A&M and Southwestern are working on this.
- Dr. McKinney mentioned that there are big drug manufacturing contracts that A&M has secured. He asked if the EDT deals with A&M regarding these contracts? McManus said they assist the universities when they reach out.
- McManus said in the semiconductor industry, it was identified at the state, regional, and local levels that an approach needed to be developed, and the Governor created a task force on this.
- Dr. McKinney talked about CPRIT research and the importance of general manufacturing. He stated that HB 4990 is about drug manufacturing and that he has talked to pharma and their manufacturing companies. He informed the Board that they liked the idea of more drug manufacturing and were impressed when Dr. McKinney told them we were interested in making sure people don't go without medicine because we didn't have the beginning elements of the manufacturing.
- Dr. McKinney asked if we can deal in interstate compact? He stated that an interstate compact with Florida to do drug manufacturing seems like something that would be beneficial. McManus said he would have to talk to the Governor's office and get more information.
- Dr. McKinney said he looks forward to working hand in glove with the Governor's EDT.
- Dr. Erowele talked about some of the charges of the board regarding drug manufacturing and drug shortages. She said 85% of hospitals reported being affected by drug shortages and that leveraging community resources, universities, and community partners is something the EDT would support.
- Dr. Erowele asked if there is a database that the EDT office maintains if TPI wanted to get a list of what A&M is doing in terms of research? McManus said they don't keep track of this. Unless it is a specific program that is tied to one of their grants, they don't have a way of tracking it.
- Tony Schell said anything we talk about on the business side has to incorporate more efficient manufacturing.
- Dr. McKinney commended EDT on their work and told EDT they would be hearing from TPI time and time again.

Consulting Firm presentation on drafting of business plan

- McKinsey & Company was selected and contracted to be the primary consultant to write the TPI Business Plan that is to be presented to the Legislature in October 2024.
- McKinsey & Company will work collaboratively with HHSC and the TPI Board to meet TPI's objective and deliver the day-to-day work.
- The work plan for development of the TPI business plan will be done in three phases:
 - Phase 1: Diagnostic - will include market assessment and aspiration setting
 - Phase 2 - Design - will include performance metrics and conceptual design
 - Phase 3 - Blueprinting - will include implementation plan and resource requirements
- They will be presenting an early interim view of their plan at the next TPI meeting on July 16.
- The three major challenges that McKinsey & Company have identified are:
 - Pharmaceutical coverage and pharmacy benefit management
 - Some of the major challenges are high costs and limited transparency. They are also hearing a lot around the varying incentives from different payers to prioritize drugs.
 - Pharmaceutical and medical supply distribution
 - On the pharmaceutical and medical distribution front, there are situations where they see delays in access to critical products.
 - Generic drug and biological manufacturing
 - Affordability challenges due to access issues, development costs, and other market dynamics
- In the diagnostic phase, there will be a fact base against options for TPI to pursue to achieve its goals.
 - They will look at how other states are handling pharmaceutical coverage, pharmacy benefit management, pharmaceutical and medical supply distribution.
 - On the manufacturing front, they will look at which pharmaceuticals and biologics are likely to go into shortage, what the cost is to manufacture certain products over others, and how they can ensure access to gene therapy.

- McKinsey & Company listed several planks that will be the core elements of the TPI business plan
 - Define a high level action plan for putting into place the vision of TPI's end-state operations
 - Determine the projected impact and business case for the action plan, including the estimated increase to patient access and cost savings
 - Size the resources needed over time for this action plan including the financial implications
 - Define ongoing operational considerations to allow for the persistence and scaling of TPI after initial launch
- Tony Schell said the presentation addresses the supply side but asked if McKinsey & Company had any experience with trying to affect change on the demand side? He stated that we can do things on the supply side but how do we fix the demand side?
- McKinsey & Company said a lot of the typical solutions they see introduce friction to manage demand and the set of solutions that have to be considered includes working directly with beneficiaries and patients. They stated the demand side is absolutely critical, and they welcome this discussion. They also stated they could look at cost challenges associated with certain drugs.
- Tony Schell said TPI looks at growth in the state, growth of state employees, and the migration of people to the state.
- Dr. Erowele said she is excited for the July meeting and hearing what the McKinsey team has to say. She stated the PBM piece and lack of transparency with PBMs is big for the TPI Board. She is looking forward to hearing their recommendations on what other states are doing and what they have implemented.
- Dr. McKinney said a three member board makes it complicated for them to have discussions. He thinks McKinsey & Company will want to meet with each of the board members to get feedback and find out what their ideas are. Each member has a different expertise, and it will be extremely important that McKinsey & Company meets with them. Dr. McKinney said they have check-ins twice a week and that McKinsey & Company may want to develop a schedule where a board member sits in on each of these check-ins.
- Dr. McKinney said the charges from HB 4990 are wide, and we have got to have a decision and recommendations on buy vs build for a PBM. He stated that the Board needs McKinsey & Company to talk with the PBMs.

- Dr. McKinney stated that the state agencies have contracts with Express Scripts and that they need McKinsey & Company to talk to them to see if there is some efficiency to be gained by having the same contract. Dr. McKinney wants to know if there is a reason why we have to have four different contracts (RFPs) and score 16 different RFPs? Or is it better to have one contract and score four different RFPs? He said Express Scripts is willing to talk with TPI, so McKinsey & Company needs to be an entity they talk to.
- Dr. McKinney stated that access to needed drugs could be a supply issue or it could be a demand issue, and they need McKinsey & Company to address this. He told McKinsey & Company they also need to be coming up with recommendations to the Legislature on the use of generics and biosimilars.
- Tony Schell asked what the comprehensive plan should include. He thinks coming at it from a multidimensional way should be part of the solution, including the demand side.
- The board basically told McKinsey & Company they have missed major pieces of the TPI. Dr. McKinney stressed the differences between Medicaid employed populations and state employed populations.

Ongoing implementation of TPI and development of business plan

- Tony Schell presumed the TPI executive director will want to put their knowledge into whether or not the state should have its own single PBM.
- Dr. McKinney was very impressed with the pool of applicants that have different expertise than the board members.
- Dr. McKinney feels they are making progress and thinks it will be very important for each board member to speak with the consultants and the executive director when it is chosen.
- Dr. Erowele is concerned about the timeline. The executive director needs to be able to do what they need to do before September, and she wants to make sure they have the appropriate time to do this.

Discussion of hiring TPI executive director

- Procom has reviewed a number of recruits, applications, and resumes for the executive director position and has presented these to the Board.

- The Board has scheduled interviews with a number of applicants and will meet on June 21st to conduct the interviews in a closed executive session. It will be an official meeting that is posted but will be exclusively an executive session to review candidates for the TPI Executive Director position.
- Dr. McKinney said he is looking for someone who can offer solutions on how to save money without impacting access to drugs.
- Dr. Erowele asked if there would be standardized questions that they will rate and score? She asked if they will ask the same questions to each candidate or just go off the cuff? This decision is up to the Board.
- Dr. McKinney said part of the purpose of having an in person interview is to ask all different kinds of questions. He said if the questions are standardized, they might as well just grade their written responses.
- Dr. McKinney said they aren't obligated to make the offer to any of the candidates they are interviewing.
- Dr. McKinney said they are making progress each time they meet, and finally getting an executive director will allow the Board to back out of some of the operational decisions and allow things to fall into place.
- Dr. Erowele said she would love to see a presentation from each of the candidates, even if it is just 10 minutes.
- Tony Schell said the plan that is presented can't just be minor improvements and tweaks on how to cut costs. They need a complete revamp.
- The Board members decided each candidate will present a vocal presentation on how to save money without impacting access to drugs.

The TPI Board tabled agenda item #8 and #9 and did not enter into a closed executive session

Public Comment

- There was no public comment.

Review of action items and agenda items for future meeting

- There were no action items other than approving the minutes from the last meeting.

- For agenda items for future meetings, Dr. McKinney suggested having drug manufacture and PBM representatives present at a future meeting.
- Dr. McKinney said he wants McKinsey & Company to provide updates at each future meeting. He was informed that they are contractually obligated to provide updates.
- Tony Schell asked for the presentations from past meetings and said the executive director will absolutely need this information, especially the information on the cost of certain drugs.
- Tony Schell asked if McKinsey & Company had been provided the presentations and the answer was yes.
- Dr. McKinney wonders if TPI should hear from the VDP and from health plans that do Medicaid on what the impact would be and what they currently experience based on the current system.
- McKinsey & Company will be meeting with the VDP.