



THBI End of Session Report 85th Regular Session

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THBI Mission Statement

THBI was created in 1996 and is a non-profit public policy research organization comprised of biotechnology, medical device, and pharmaceutical companies, as well as academic institutions, research organizations and economic development corporations. The mission of the Texas Healthcare and Bioscience Institute is to research, develop, and advocate policies and actions that promote biomedical science, biotechnology, agriculture, and medical device innovation in Texas.



THBI End of Session Report 85th Regular Legislative Session

On Tuesday, January 10th 2017, the 85th Regular Session of the Texas Legislature convened its 140-day legislative efforts. Comptroller Glenn Hegar announced that legislators would have \$104 billion to use when crafting the 2018-2019 budget, along with an extra \$11 billion in the Rainy Day Fund. The regular legislative session adjourned on May 29, 2017 and Governor Abbott's veto period expired on June 18, 2017 with a total of fifty vetoed measures. Lawmakers this year filed 10,672 bills and resolutions and passed 4,960. In 2015, 11,356 measures were filed with 6,083 passing. There were 42 vetoes in 2015, records show.

Governor Abbott quickly called lawmakers back for a Special Session beginning July 18, 2017 to address must-pass Sunset legislation extending the existence of the Texas Medical Board, the Texas State Board of Examiners of Psychologists, the Texas State Board of Examiners of Marriage and Family Therapists, the Texas State Board of Examiners of Professional Counselors, the Texas State Board of Social Worker Examiners and 19 other agenda items listed below once the Sunset bill is passed:

Legislation to increase the average salary and benefits of Texas teachers; and legislation to provide a more flexible and rewarding salary and benefit system for Texas teachers.

Legislation establishing a statewide commission to study and recommend improvements to the current public school finance system.

Legislation to empower parents of children with special needs or educational disadvantages to choose an educational provider that is best for their child.

Legislation reforming the laws governing ad valorem property taxes.

Legislation using population growth and inflation to establish a spending limit for state government.

Legislation using population growth and inflation to establish a spending limit for political subdivisions.

Legislation protecting the private property rights of land owners from political subdivision rules, regulations, or ordinances that interfere with, delay, or restrict private property owners' ability to use or enjoy their property.



Legislation expediting the issuance of permits by political subdivisions and reforming the laws governing the issuance of permits by political subdivisions.

Legislation preventing political subdivisions from imposing on private property additional or enhanced regulations that did not exist at the time the property was acquired.

Legislation reforming the authority of municipalities to annex territory, to exert control over territory, or to regulate the use of annexed land or land in a municipality's extraterritorial jurisdiction.

Legislation preempting local regulation of the use of hand-held mobile communication devices while driving.

Legislation regarding the use of multi-occupancy showers, locker rooms, restrooms, and changing rooms.

Legislation prohibiting state or local government entities from deducting labor union fees or employee organization membership fees or dues from the wages of public employees.

Legislation prohibiting financial transactions between a governmental entity and an abortion provider or affiliate of the abortion provider.

Legislation restricting health plan and health benefit plan coverage for abortions.

Legislation strengthening the laws applicable to the reporting of abortions and abortion complications to the Department of State Health Services.

Legislation enhancing patient protections contained in the procedures and requirements for do-not-resuscitate orders.

Legislation enhancing the detection, prosecution, and elimination of mail-in ballot fraud.

Legislation continuing the operation and expanding the duties of the Maternal Mortality and Morbidity Task Force to ensure action is taken to reduce the maternal mortality rate in Texas.

Legislation adjusting the scheduling of Sunset Commission review of state agencies.

2016-2017 THBI Innovation and Social Media Campaigns: Over the last 18 months, THBI has focused on the theme of life science innovation in Texas throughout its messaging and policy briefings. As the leading policy voice for the life sciences in Texas, THBI has hosted a series of policy briefings to educate the legislature and members of their staff to explain the



process of innovation and what it takes to bring a drug or medical device to the marketplace.

In addition to protecting patient access, THBI was instrumental in legislation that would benefit the State of Texas through drug rebates, cancer research, and economic development. JHL Company supported THBI's efforts through social media, email newsletters, and events. The efforts increased visibility among legislators, their staff and the patient community. Facebook and Twitter messaging was targeted towards legislators, districts of interest based on relevant committees and like-minded organizations to recruit and retain members. The THBI newsletter includes industry and legislative news; member updates, upcoming events, and calls to action and serves as a voice of news and innovations targeting the Texas life science industry.

Legislative Priorities

The THBI State and Federal Government Relations Committee began meetings in the fall of 2016 to prepare for the session, and started creating a list of legislative priorities. The full membership was asked to weigh in and provide suggestions on this priority list. The result was a legislative agenda of issues that ensured the most efficient use of THBI's resources when working towards its members' goals of developing policies important to the life science industry and maintaining an active research and development environment. To that end, THBI supported the following initiatives in the 85th Texas legislative session:

Access to Innovative Products

- It is critical that all patients fighting disease have access to needed treatments and cures that allow patients to live longer, healthier, and more productive lives. Research and Development is an important component of the drug and medical device innovation process. THBI is committed to safeguarding and preserving timely patient access to new medicines while maintaining the integrity of those who utilize the latest innovations in creating these products.

Research & Development

- The Texas life science industry is committed to break down the barriers that currently prevent the expansion of the life science industry in Texas. The Texas life science industry supports private-public collaborations that will allow Texas to compete globally and also supports efforts to build and sustain a highly skilled technology workforce in the state.

Higher Education/Research

- Encourage the Legislature to support a consistent transparent mechanism to fund research at our health-related institutions of higher education. In addition, we also encourage the Legislature to meaningfully fund research to ensure national



competitiveness and to improve the ability of our Health Related Institutions to continue a robust technology transfer system and product development process.

Cancer Prevention & Research Institute of Texas (CPRIT)

- THBI supports the full funding and continuation of the Cancer Prevention Research Institute of Texas (CPRIT). CPRIT continues to foster cancer research and prevention in Texas as well as fund product development.

Focused Initiatives/Collaborations

THBI continues to work with diverse groups across the state in an effort to identify and discuss strategies each legislative session. Focus groups discuss the ongoing debate centered on state initiatives and current funding levels and operations of CPRIT, state economic growth and patient access. These groups work together as coalitions and are outlined below:

We Work For Health/Texas

- The economic footprint of the biopharmaceutical industry can be measured not only by the traditional indicators of employment and output, but also in part by its impact on the vendors, large and small, that provide services or supplies to America's biopharmaceutical research companies. We Work For Health Texas is a grassroots initiative that unites health consumers, biopharmaceutical company employees and retirees, vendors, suppliers and other business, academic and community partners to demonstrate how these diverse groups work together to improve America's health care system and strengthen our economy. THBI president Tom Kowalski serves as the vice-chair for We Work For Health, working closely with the rest of WWFH to achieve these goals.
- As part of the WWFH Texas Initiative, a Texas Vendor Map was published and discussed with members of the Texas U.S. Legislative Delegation and the Texas State Legislative Members and staff. The statewide map shows the vendor strength of the Texas Life science Industry. Please visit www.weworkforhealth.org/state/texas or www.THBI.com for more information.

Patient Access Coalition

- With strong bipartisan support, Texas legislators have passed laws over the past thirteen years to protect some of our state's most vulnerable Texans by ensuring they have access to the medicine their doctor determines is best for their care and well-being.
- Thanks to the protections provided by these laws and agency rule-making and processes, insurance companies are prohibited from implementing arbitrary



administrative and medical hurdles for patients in the Texas Medicaid program that decrease access to needed medicines initially prescribed by doctors for their Medicaid patients. These protections are critical for patients whose health is dependent on a specific medicine or a targeted combination of therapies and whose well-being could be seriously threatened by a change of course in or delay in receiving medicines.

- Patient protections of this type are crucial as insurance companies move to impose rules requiring a patient to be moved from the drugs proven to best treat their condition and instead placed on medicines that may prove less effective or even ineffective under the misconception that these medicines are always lower cost. Under some of these insurance mandates, patients must “fail” using lower cost drugs or therapies before they are allowed to return to the medicine initially prescribed by a doctor and proven to work.

Texas Cancer Partnership

- The Texas Cancer Partnership (TCP) brings together a number of organizations in Texas with the shared mission of ending cancer as we know it. The shared focus toward achieving that mission is to ensure the state of Texas maintains its status as a world leader in the fight against cancer by continuing its investment in cancer research and lifesaving prevention services through the Cancer Prevention & Research Institute of Texas (CPRIT).
- TCP and its members were very successful during the 85th Session as Governor Abbott signed SB 81 into law, which among other things extends CPRIT’s sunset review to 2023, with an accompanying extension of the deadline for granting new awards to Aug 31, 2022. Also, when the governor signed the budget bill (SB 1) into law, which appropriated \$600.1 million to CPRIT annually for 2018-19.

Texas 2050

- The Texas 2050 Coalition consisted of the state’s key trade organizations as well as business organizations focused on Texas competitiveness now and through the year 2050.
- True to coalition form, the organization focused on the key elements of the following:
 - Infrastructure
 - Investment Capital
 - Innovation
 - Education



BIOTexas Leadership Roundtable

- The Roundtable’s membership make up consists of the State’s Regional Leadership of BioHouston, BioMedSA, BioAustin, bionorthTX and representation from the Rio Grande Valley as well as the El Paso region.
- The group meets to discuss strategies to further strengthen the Texas life science industry, participates in the purchasing program and also plans for the annual BIO International Convention. The roundtable is also an enthusiastic participant in the THBI state legislative fly-in.

Council of State Biotech Associations (CSBA)

- THBI has remained involved in the Council of State Biotech Associations (CSBA) for many years. The CSBA is a confederation of state-based, non-profit trade organizations each governed by its own board of directors. The common mission of the members of the CSBA is to promote public understanding and to advocate for public policies that support the responsible development of the bioscience industry. THBI is recognized by BIO as the affiliate organization for the state of Texas.

Federal Priorities

THBI’s policy focus expands into the federal arena as well. Our three national partners include PhRMA, BIO, and AdvaMed; and our key programs have been the “We Work for Health/BioTexas Initiative,” the “BIO Fly-in,” and the “Campaign for Modern Medicines.”

Each activity includes legislative visits both in Washington D.C. and in the respective home districts of the relevant national officials. Our goal is to position THBI as a “go-to” resource and to utilize THBI’s statewide grassroots network. Outlined below is a partial description of our federal agenda.

Oppose Additional Cuts to Medicare Part B

THBI opposes CMS’s recently proposed Part B Drug Payment Model, which:

- Threatens patient access to needed therapies; especially in rural areas and/or by community-based providers by slashing reimbursement rates to effectively ASP+0%
- Forces patients to travel farther to receive care in a potentially higher-cost setting
- Was developed without consideration of the potential impact on patients
- Patients receiving Part B drugs tend to be the sickest, most vulnerable patients



- ASP is working and has controlled the growth of drug spending since 2006 which was previously increasing at a rapid rate
- Sequester has already reduced payments in Part B

Senate Innovation Initiative / Drug Development, Discovery, & Delivery Reforms

THBI looks forward to working with Congress to enact these necessary reforms

- Embrace precision medicine/genomics through regulatory science
- Patient-centric approaches to drug development are essential
- Improve patient access while sustaining incentives for innovation
- Allow the regulatory process to keep up with advances in scientific discovery

Target Abuses of the US Patent System While Protecting Innovation

THBI supports a measured, thoughtful approach to patent litigation reform

- Strong intellectual property protection is the lifeblood of the biotechnology industry
- Investing in biotech is expensive and product development depends heavily on licensing, partnering, and access to capital – strong patent protection is critical
- Halting abuses of the IPR process, an administrative patent challenge, is a top priority
- THBI urges Congress to proceed thoughtfully and deliberately on patent reform legislation

Changing the Medicare Part D Program Can Negatively Impact Patients

THBI opposes changing the incentives of the Medicare D Program

- Medicare Part D continues to ensure seniors have access to pharmacy drugs
- Part D keeps overall costs to beneficiaries and the government down
- Competitive, market-oriented negotiations between plans, PBMs, and manufacturers are critical to this success
- 90% of beneficiaries are satisfied with the program



Support full Appropriations for Key Areas Critical to Discovery & Innovation

THBI supports full appropriations for NIH, Project BioShield SRF & CARB Initiative

- NIH spurs key discovery in an era of genomic health and personalized medicine and THBI supports a budget of at least \$34.5B and opposes additional cuts.
- Full appropriations are needed to BARDA, Project BioShield & CARB Initiative to spur discovery and development of products designed to battle emerging security threats.

Support a Federal, Science-Based GMO Food Labeling Solution

THBI supports a labeling solution that informs consumers & provides consistency

- Consumers' Right-To-Know is important and voluntary labels, such as organic or "non GMO," are already widespread in the marketplace
- State-by-state food labeling challenges needlessly undermine consumer confidence
- Industry supports greater public education and engagement around GMOs
- Support and urge Senators to continue to work with industry to find a solution

What Has THBI Been Up To?

2017 THBI Summit

The fourth Annual Texas Healthcare and Bioscience Summit was a huge success. Attendees heard panel discussions over access to innovation, new technologies and the value of research and the impact of the lifesciences on the state's economy. Highlights include keynotes from Congressman Jim Greenwood, President and CEO, BIO; Steve Ubl, CEO, PhRMA; Scott Whitaker, President and CEO, AdvaMed and Matthew Dowd, Political Analyst, ABC News.

Day two of the Summit moved to the Texas State Capitol grounds and started with a Chiefs of Staff panel followed by a BIO Regional's Panel. Over thirty THBI members walked the halls of the Texas Capitol to speak with legislators and their staff about key pieces of legislation and the development of the industry in their respective regions throughout the state. THBI members covered the full extent of capitol offices, leaving behind materials listing issue priorities.

THBI Luminary Dinner

The Texas Healthcare and Bioscience Institute hosted its tenth annual Luminary Dinner and honored Representative Four Price, Senator Charles Schwertner, M.D., Senator Judith Zaffirini



and Chase Bearden from the Coalition of Texans with Disabilities. The dinner was held on February 7, 2017 at the Intercontinental Stephen F. Austin Hotel and boasted a lengthy list of leaders in healthcare as well as patient advocates serving as honorary hosts. Both Representative Price and Mr. Bearden were introduced to a full room of attendees and were chosen for their efforts and leadership in helping foster medical advancements through legislation and protecting the interests of patients. The 2017 Luminary Dinner was attended by members and staff of the legislature, leaders in many different healthcare sectors from across the State, patient groups and life science and healthcare industry leaders.

March 8 PhRMA Policy Event

THBI in conjunction with PhRMA and the We Work for Health/Texas Coalition helped host a roundtable discussion on the value of life science innovation and its positive impact on the Texas patient community. Speaker Rolf Benirschke provided a personal testimony on the value of drug innovation in his personal life. The event was attended by legislative staff and members of the We Work for Health Coalition.

State/Federal Relations Committee

The State and Federal Government Relations Committee started meeting in the fall of 2016 after legislative prefiles started and began holding telephonic meetings in January and weekly in- person meetings at the Capitol in February to update members on our legislative priorities and bills we tracked. During the course of the 85th Legislative Session, THBI tracked over 150 pieces of legislation in 17 different areas with the potential to affect Texas biotechnology, life sciences, and higher education. Our thanks go out to those of you who participated in these meetings, and we appreciate the efforts you put in over the course of the session.

State/Federal Relations Committee Meeting Speakers

The State and Federal Government Relations Committee brought in occasional speakers to our meetings at the Capitol to hear from different associations/groups on their legislative priorities for the session. We found it very helpful to both hear from these groups and to share THBI's legislative priorities with them as well. We believe that these exchanges proved beneficial to our committee members.

THBI Taco Tuesdays

Over the last year, THBI has hosted two policy conferences, four Taco Tuesday events (staff and legislator briefings) and two facility tours. These policy meetings were held in the Capitol to educate the legislature and help them understand the process of innovation and also what it takes to bring a drug or medical device to the marketplace.

THBI Hallway Lunches

In April 2017, THBI partnered with Sanofi and Texas A&M Health Science Center to host two



well attended hallway lunches. First, on April 4, Sanofi sponsored a hallway lunch on the Ground Floor of the Texas Capitol that was attended by over 50 legislative offices. On April 24, Texas A&M Health Science Center hosted a hallway lunch in Representative Trent Ashby's capitol office for the E2.400 hallway. Both events were well attended by legislators, staff and members of the THBI State/Federal Relations Committee.

Monthly Presidents Calls

Every month, Tom Kowalski hosts a membership call to update THBI members on the status of the Institute's legislative interests. These calls were conducted on a "listen only" basis and Mr. Kowalski routinely interviews key leaders pertinent to the issues in the life sciences industry.

BIO International Convention in San Diego

THBI, in partnership with Texas Secretary of State, TxEDC and the Office of the Governor, attended the 2017 BIO International Convention in San Diego, California on June 19-22. The Texas delegation had a productive show with over 100 meetings arranged and over 250 leads collected. This year's convention hosted over 16,100 attendees and facilitated 41,400+ BIO One-on-One Partnering™ meetings among 6,500 delegates from 3,500 companies for another record-breaking year, and Texas was in the midst of the collaborations.

The 2018 Bio International Convention will take place June 4-7, 2018 in Boston, Massachusetts. For more information or for participation opportunities, please contact Julia Perkins at jhl@thbi.com.

2017 Delegation Participants (42):

BioTexas

- 10/35 Economic Development Alliance
- Bay Area Houston Economic Partnership
- BioHouston
- Cameron School of Business, University of St. Thomas
- CenterPoint Energy
- City of Waxahachie
- DevelopAbilene
- Galveston Economic Development Partnership
- Georgetown Economic Development
- Greater Conroe Economic Development Council
- Greater Irving-Las Colinas Chamber of Commerce
- Greater Houston Partnership
- Harlingen Economic Development Corporation
- iBio Pharma, Inc.
- Medical Center of the Americas Foundation
- Odessa Economic Development Corporation

Governor's Delegation

- American Biochemicals
- Bracane Company
- Castle Biosciences, Inc.
- Cible
- Exegete Healthcare International
- Fannin Innovation
- HealthBot
- Lab7 Systems, Inc.
- MANS Distributors, Inc.
- Optologix LLC
- OriGen Biomedical
- PROLIM
- StemBioSysm, Inc.
- TRI Air Testing
- Wound Management Technologies



- Office of the Governor
- Pearland Economic Development Corporation
- Round Rock Chamber of Commerce
- San Antonio Economic Development Foundation
- Schertz Economic Development Corporation
- Texas Healthcare and Bioscience Institute (THBI)
- The Signorelli Company
- The Beck Group
- TxEDC

2017: THBI Grassroots Outreach

THBI engages in events to continue stressing the strength of the life science industry while continuing to educate legislators and clearly conveying the importance of policy development for Texas. Outlined below is the series of events in which we participated going into the 85th Legislative Session and beyond.

September 2016:

- THBI President Tom Kowalski spoke at the Investment Financial Services Legislative Committee at the State Capitol.
- Tom Kowalski was a keynote at the BIO Spain Conference.

October 2016:

- THBI participated in the Texas Economic Development Corporation annual meeting.
- Tom Kowalski was a keynote at the BionorthTX annual meeting.
- Tom Kowalski was a panelist at the Texas One's Fall Supporter's luncheon.

November 2016:

- THBI helped host Congressman Brady @ VGXI Corporation in The Woodlands, TX for a laboratory dedication. Congressman Brady is Chairman of the Ways and Means Committee.
- THBI participated in the Council of State Biotech Associations (CSBA) Retreat in Nashville, TN.

December 2016:

- Tom Kowalski was a speaker at the Patient Access Coalition Breakfast.
- Mr. Kowalski was a keynote for the Belgium Delegation at the Texas Medical Center.



- Tom Kowalski spoke at the Texas e-Health Alliance Annual Meeting.
- THBI held our Annual Meeting and Holiday Party featuring Representative Tan Parker.

January 2017:

- THBI spoke at the Navarro Community College Board of Trustees meeting in Waxahachie.

February 2017:

- Tom Kowalski was a guest speaker at the 2017 Texas Life Science CEO Summit in Bastrop, TX.
- Mr. Kowalski spoke at the Austin Community College Incubator grand opening regarding the 85th legislative session.
- THBI held our 2017 Policy Summit, Luminary Dinner and Fly-In with strong industry wide attendance. The Summit bolstered over 125 participants with over 50 Capitol offices visited the second day for the fly-in.
- Julie Haeber gave a “Budget 101” presentation during the THBI monthly President’s Call.

March 2017:

- Tom Kowalski spoke to the British Medical Device Delegation and provided an update on the current legislative trends in the industry.
- Mr. Kowalski spoke to the Office of the Governor, USA Select Committee.

April 2017:

- Tom Kowalski moderated the We Work for Health luncheon with patient advocates about the value of innovation in today’s healthcare environment.

May 2017:

- Tom Kowalski addressed the Medical Device Alliance of Texas on Life Sciences in Texas and an update on the current legislative trends in the industry.
- THBI keynoted at the 2017 Texas Life Science Conference with BioHouston and Rice Alliance.

June 2017:

- THBI attended the 2017 BIO International Convention in San Diego, California (June



19-22, 2017). These meetings covered the latest issues in science and policy, explored new business opportunities and addressed the challenges facing the biotechnology industry and attracted more than 3,000 biotechnology companies and more than 16,000 attendees from 48 states and 65 countries.

Legislative Tracking

THBI reviewed all bills filed and tracked any legislation related to the Texas life science industry. In tracking this legislation, THBI sent out weekly updates detailing the progress of these bills with a short summary of each that was updated upon amendment or substitution. Additionally, THBI and its outside contacts provided testimonies, both oral and written, during the session and dropped twenty witness cards supporting or opposing legislation during the 85th Session.

THBI tracked legislation throughout the session in 17 different categories:

1. Agriculture
2. Budget/Tax Policy
3. CPRIT
4. County Issues
5. Disclosure
6. Federal Healthcare
7. Fetal Tissue
8. General Healthcare
9. General Medicaid
10. Higher Education
11. Immunizations
12. Incentive Programs/Eco Devo
13. Insurance
14. Licensing/Regulatory
15. Medical Device
16. Pharmaceutical
17. Stem Cell

Agriculture:

One bill passed under this THBI designation during the 85th legislature: SB 1172 by Senator Perry.



SB 1172 relates to the regulation of seed by a political subdivision and creates uniformity in the application of seed regulations across Texas. Political subdivisions have begun passing ordinances banning the use of certain seeds. These ordinances run contrary to free market principals and create costly burdens on farmers, especially farmers who may have a field located in more than one county. Market participants would be better served by having one uniform seed law covering the entire state.

Budget/Tax Policy:

Two bills were passed under this THBI designation during the 85th legislature: SB 1 by Senator Nelson and HB 2 by Representative Zerwas.

SB 1 relates to the general appropriations bill (detailed summary begins on page 21).

HB 2 relates to making supplemental appropriations and giving direction and adjustment authority regarding appropriations (detailed summary begins on page 23).

Cancer Prevention & Research Institute of Texas (CPRIT):

Funding for the Cancer Prevention and Research Institute of Texas for the 2018–19 biennium totals \$600.1 million in General Obligation (GO) Bonds. In addition, THBI tracked several bills under this designation during the 85th legislature with SB 81 by Senator Nelson passing into law.

SB 81 relates to the operations of the Cancer Prevention and Research Institute of Texas; authorizing a trust company to charge the institute an investment fee and was signed into law. SB 81 would allow for responsible management of state assets, ensure appropriate allocation of prevention funding, further align CPRIT with other state agency requirements and extend CPRIT’s sunset date to 2023.

County Issues:

No pertinent bills in this track were passed.

Disclosure:

THBI tracked close to twenty bills relating to company disclosure and public information – none of which passed into law.

Senator Watson passed **SCR 56** which calls for the creation of a joint House-Senate committee to study open-government laws and recommend changes to increase



transparency and honesty. SCR 56 will allow interested parties to make needed changes to the Public Information Act.

Federal Healthcare:

No pertinent bills in this track were passed.

Fetal Tissue:

One major bill passed under this designation during the 85th Session, SB 8 by Senator Schwertner.

SB 8 relates to certain prohibited abortions and the treatment and disposition of a human fetus, human fetal tissue, and embryonic and fetal tissue remains; creating a civil cause of action; imposing a civil penalty; creating criminal offenses. SB 8 would require fetal remains to be buried or cremated and would ban donations of fetal tissue from elective abortions to prevent situations where abortion procedures could be altered to harvest specific fetal parts. It also would ban the sale of fetal tissue and prohibit partial-birth abortions to allow state law enforcement officials to enforce these prohibitions.

General Healthcare:

Two bills were passed under this THBI designation during the 85th legislature: HB 2425 by Representative Price and HB 3576 by Representative Guerra.

HB 2425 requires that a hospital provide the patient with the opportunity to designate a caregiver to receive information for aftercare purposes.

HB 3576 addresses the information that health officials could release to federal agencies under the Communicable Disease Prevention and Control Act if a person had or was suspected of having a present or potential health condition resulting from exposure to a high-consequence communicable disease, such as the Zika virus. The bill requires the Department of State Health Services (DSHS) to investigate the effects, in addition to the causes, of communicable disease and methods of prevention. DSHS could investigate the existence of communicable disease in Texas to determine the potential effects on the health of individuals.

General Medicaid:

One bill passed under this THBI designation during the 85th legislature: SB 922 by Senator Buckingham.



SB 922 requires the Health and Human Services Commission to ensure that Medicaid reimbursement was provided to a school district or open-enrollment charter school for telehealth services provided through the school district or charter school by a health professional as defined by the bill, even if the health professional was not the patient's primary care provider.

Higher Education: As the 85th legislative session came to a close, funding cuts that had loomed over much of the session never materialized in the final budget. Instead, most universities saw minimal funding cuts and some even saw a small increase in state dollars. Despite this reprieve, the state didn't come close to funding universities at the levels recommended by the Texas Higher Education Coordinating Board – a 9% increase. Overall, funding for universities, health institutions and community colleges increased by less than 1% during the 85th Session.

Of particular concern, Section 62 of Special Provisions of Higher Education Agencies in the state budget calls for a joint interim committee to prepare recommendations for realignment and/or possible elimination of non-formula support items and improvements of formula funding for institutions of higher education. In addition, all Higher Education Special Item funding will sunset at the end of fiscal year 2019 under this section.

Immunizations:

THBI tracked eighteen bills in this designation during the 85th session with none passing. The immunization bills covered issues such as non-medical exemptions from immunizations, data included in and excluded from the immunization registry, informed consent and right to contentious refusal.

Incentive Programs/Economic Development:

For the 2018-2019 biennium, SB 1 provides \$86 million in estimated unexpended balances remaining at the end of fiscal year 2017 in the Texas Enterprise Fund for incentive grants. The funding reflects a decrease of \$22 million from the 2016–17 biennium level, in the General Revenue–Dedicated account.

\$15.6 million for the Governor's University Research Initiative (GURI), which replaced the Emerging Technology Fund in 2015, was appropriated including \$10 million in General Revenue Funds and \$5.6 million in estimated unexpended balances remaining at the end of fiscal year 2017 and estimated revenues in the 2018–19 biennium.

No pertinent bills in this track were passed.



Insurance:

Four bills were passed under this THBI designation during the 85th legislature: HB 1227 by Representative Smithee, SB 579 by Senator Van Taylor, SB 680 by Senator Hancock and SB 1076 by Senator Schwertner.

HB 1227 provides a necessary fix to an oversight in current statute by making prescription drug formulary disclosure requirements apply only to the plans to which they are relevant. In 2015, the 84th Legislature enacted HB 1624 by Representative John Smithee to provide formulary disclosure information to consumers evaluating individual health plans. However, HB 1227 did not include an applicability section, imposing the disclosure requirement on group health care plans as well as individual plans. Requiring issuers to display formulary information for group plans is a waste of time and resources because employers rarely offer more than one group health care plan to their employees. The requirement in current law is inefficient and could unintentionally mislead consumers about their benefit options.

SB 579 amends current law relating to the use of epinephrine auto-injectors on private school campuses and at or in transit to or from off-campus school events.

SB 680 amends current law relating to step therapy protocols required by a health benefit plan in connection with prescription drug coverage and ensures step therapy protocols are reasonable and transparent for Texans and their health care providers. The bill also categorizes step therapy exemption denials as adverse determinations and allows patients to access an expedited external review. Four other states have enacted similar legislation.

SB 1076 prohibits a health benefit plan issuer that covered prescription drugs from requiring an individual covered under a health benefit plan to make a payment for a prescription drug at the point of sale that was greater than the lesser of: the applicable copayment; the allowable claim amount for the prescription drug; or the amount an individual would pay for the drug without using a benefit plan or any other source of drug benefits or discount.

Licensing/Regulatory:

No pertinent bills in this track were passed.

Medical Device:

No pertinent bills in this track were passed.



Pharmaceutical:

Three bills were passed under this THBI designation during the 85th legislature: HB 1296 by Representative John Frullo, HB 1917 by Representative Richard Raymond and SB 584 by Senator West.

HB 1296 applies only to certain health benefit plans that provide benefits for medical or surgical expenses incurred as a result of a health condition, accident, or sickness. Under the bill, a health benefit plan would establish a process through which the plan, the enrollee, the prescribing physician or health care provider, and a pharmacist could jointly approve a medication synchronization plan for medication to treat an enrollee's chronic illness. The "medication synchronization plan" would synchronize the filling or refilling of multiple prescriptions. A health benefit plan would provide coverage for medications dispensed according to a medication synchronization plan.

HB 1917 relates to contract requirements for prescription drug benefits provided by Medicaid managed care organizations and would preserve a functioning program that provides pharmacy benefits to the Medicaid population in a cost-effective manner. The existing Medicaid Vendor Drug program allows for public input, establishes patient protections, and produces long-term success negotiating drug prices with and obtaining substantial rebates from drug manufacturers. HB 1917 would extend the enforcement of a Medicaid managed care organization's pharmacy benefit plan contract requirements until August 31, 2023.

SB 584 creates guidelines for prescribing opioid antagonists. The bill would direct the Texas Medical Board (TMB) to adopt guidelines for prescription of opioid antagonists. The guidelines would address: prescribing an opioid antagonist to a patient to whom an opioid medication was also prescribed; and identifying patients at risk of an opioid-related drug overdose and prescribing an opioid antagonist to that patient or to a person in a position to administer the antagonist to the patient.

Stem Cell:

One bill was passed under this THBI designation during the 85th legislature: HB 810 by Representative Tan Parker.

HB 810 relates to the provision of certain investigational stem cell treatments to patients with certain severe chronic diseases or terminal illnesses and regulating the possession, use, and transfer of adult stem cells; creating a criminal offense. HB 810 would make it easier for patients who had a chronic condition or who were terminally ill to access investigational stem cell treatments. The bill also would allow physicians to prescribe these treatments



without fear of losing their license. The current process to test, approve, and bring a new stem cell treatment to market can take decades, which is longer than patients with a chronic illness or a terminal illness can wait. HB 810 would make these treatments, which many Texas patients have traveled to other countries to use, available for certain Texans who had exhausted all other options for treatment, given informed consent, and had a written recommendation or prescription from their physician to undergo stem cell treatment.

Budget:

SB 1 relates to the general appropriations bill provided \$216.7 billion across all articles, marking a \$359.4 million increase over the 2016-2017 biennium. The table below shows the budget by Article. The table below includes supplemental spending adjustments pursuant to House Bill 2, 85th Legislature, 2017.

FUNDING BY ARTICLE, ALL FUNDS (IN MILLIONS)				
	ESTIMATED 2016-17	SB1 2018-19	BIENNIAL CHANGE	PERCENTAGE CHANGE
ALL FUNCTIONS				
Article I – General Government	\$7,043.9	\$6,240.8	(\$803.2)	(11.4%)
Article II – Health and Human Services	\$81,280.1	\$79,456.5	(\$1,823.6)	(2.2%)
Article III – Agencies of Education	\$79,148.6	\$80,433.0	\$1,284.4	1.6%
<i>Public Education</i>	\$58,895.8	\$59,944.8	\$1,049.1	1.8%
<i>Higher Education</i>	\$20,252.8	\$20,488.2	\$235.4	1.2%
Article IV – Judiciary	\$813.3	\$823.6	\$10.3	1.3%
Article V – Public Safety and Criminal Justice	\$12,575.5	\$12,311.7	(\$263.7)	(2.1%)
Article VI – Natural Resources	\$4,530.2	\$4,544.5	\$14.2	0.3%
Article VII – Business and Economic Development	\$29,649.6	\$31,845.8	\$2,196.2	7.4%
Article VIII – Regulatory	\$956.4	\$630.6	(\$325.8)	(34.1%)
Article IX – General Provisions	\$0.0	\$83.9	\$83.9	N/A
Article X – Legislature	\$400.9	\$387.5	(\$13.3)	(3.3%)
Total, All Articles	\$216,398.5	\$216,757.9	\$359.4	0.2%

The table below depicts the amount of General Revenue (GR) appropriated through SB 1 which totals to \$106.7 billion in state funding or a \$1.3 billion reduction in GR from the previous biennium.

FUNDING BY ARTICLE, GENERAL REVENUE FUNDS (IN MILLIONS)				
	ESTIMATED 2016-17	CCR SB1 2018-19	BIENNIAL CHANGE	% CHANGE
ALL FUNCTIONS				
Article I – General Government	\$3,315.6	\$3,277.6	(\$38.0)	(1.1%)
Article II – Health and Human Services	\$33,575.3	\$33,464.3	(\$111.1)	(0.3%)



Article III – Agencies of Education	\$56,291.6	\$55,894.8	(\$396.8)	(0.7%)
<i>Public Education</i>	\$41,593.5	\$40,957.6	(\$635.9)	(1.5%)
<i>Higher Education</i>	\$14,698.1	\$14,937.2	\$239.1	1.6%
Article IV – Judiciary	\$503.3	\$494.6	(\$8.7)	(1.7%)
Article V – Public Safety and Criminal Justice	\$11,606.6	\$11,416.3	(\$190.3)	(1.6%)
Article VI – Natural Resources	\$818.4	\$895.2	\$76.8	9.4%
Article VII – Business and Economic Development	\$1,162.6	\$547.7	(\$614.9)	(52.9%)
Article VIII – Regulatory	\$337.1	\$344.7	\$7.5	2.2%
Article IX – General Provisions	\$0.0	\$4.5	\$4.5	N/A
Article X – Legislature	\$400.8	\$387.3	(\$13.4)	(3.4%)
Total, All Articles	\$108,011.4	\$106,726.9	(\$1,284.4)	(1.2%)

When General Revenue Dedicated (GRD) funds are added in, the total for GR and GR-D amounts to \$6.4 billion or a \$1.6 billion reduction from the 2016-2017 biennium.

Regarding Federal Funds, SB 1 reduces federal funds by \$346.7 million compared to the 2016-2017 biennium for a total of \$71.8 billion.

**FUNDING BY ARTICLE, FEDERAL FUNDS
(IN MILLIONS)**

ESTIMATED/BUDGETED ALL FUNCTIONS 2016–17	CCR SB1 2018–19	BIENNIAL CHANGE	% CHANGE
Article I – General Government	\$1,005.3	\$1,189.2	\$183.9 18.3%
Article II – Health and Human Services	\$45,857.1	\$43,801.5	(\$2,055.7) (4.5%)
Article III – Agencies of Education	\$10,497.2	\$10,767.2	\$270.0 2.6%
<i>Public Education</i>	\$10,217.9	\$10,491.6	\$273.7 2.7%
<i>Higher Education</i>	\$279.3	\$275.7	(\$3.6) (1.3%)
Article IV – Judiciary	\$3.3	\$1.7	(\$1.6) (48.7%)
Article V – Public Safety/Criminal Justice	\$647.0	\$598.3	(\$48.7) (7.5%)
Article VI – Natural Resources	\$1,860.8	\$1,858.0	(\$2.8) (0.2%)
Article VII – Business and Economic Development	\$12,326.1	\$13,636.9	\$1,310.8 10.6%
Article VIII – Regulatory	\$8.6	\$5.9	(\$2.8) (32.2%)
Article IX – General Provisions	\$0.0	\$0.2	\$0.2 N/A
Article X – Legislature	\$0.0	\$0.0	\$0.0 N/A
Total, All Articles	\$72,205.5	\$71,858.8	(\$346.7) (0.5%)

With regard to the Rainy Day Fund, appropriations include \$988.9 million from the Economic Stabilization Fund for the 2018–19 biennium and are identified in Article IX, Section 17.16. After appropriations, the cash balance of the fund plus the total asset value of investments are estimated to be \$10.9 billion at the end of fiscal year 2019.

SB 1 appropriates \$79.5 billion in All Funds for Health and Human Services and is broken out



in the table below.

**ARTICLE II – HEALTH AND HUMAN SERVICES, BY METHOD OF FINANCE
(IN MILLIONS)**

METHOD OF FINANCE	ESTIMATED 2016–17	SB1 2018–19	BIENNIAL CHANGE	% CHANGE
General Revenue Funds	\$33,575.3	\$33,464.3	(\$111.1)	(0.3%)
General Revenue–Dedicated Funds	\$1,172.4	\$577.0	(\$595.4)	(50.8%)
Federal Funds	\$45,857.1	\$43,801.5	(\$2,055.7)	(4.5%)
Other Funds	\$675.3	\$1,613.8	\$938.6	139.0%
Total, All Funds	\$81,280.1	\$79,456.5	(\$1,823.6)	(2.2%)

The All Funds amount is \$1.8 billion lower than the 2016-2017 biennium or a reduction of 2.2%. Appropriation by Article II agency appears in the table below.

**ARTICLE II – HEALTH AND HUMAN SERVICES, ALLFUNDS
(IN MILLIONS)**

FUNCTION	ESTIMATED 2016–17	CCR SB1 2018–19	BIENNIAL CHANGE	% CHANGE
Department of Family and Protective Services	\$3,781.4	\$4,091.9	\$310.5	8.2%
Department of State Health Services	\$5,632.5	\$1,550.6	(\$4,081.8)	(72.5%)
Health and Human Services Commission	\$71,072.5	\$72,324.5	\$1,252.0	1.8%
Subtotal, Health and Human Services	\$80,486.4	\$77,967.0	(\$2,519.4)	(3.1%)
Employee Benefits and Debt Service	\$2,092.9	\$2,250.9	\$158.0	7.6%
Less Interagency Contracts	\$1,299.2	\$761.4	(\$537.8)	(41.4%)
Total, All Functions	\$81,280.1	\$79,456.5	(\$1,823.6)	(2.2%)

As the table depicts, The Department of Family and Protective Services is appropriated a biennial total of \$4.1 billion which is a biennial change from 2016-17 of \$310.5 million. This represents an increase of 8.2% over the previous biennium.

The Department of State Health Services is appropriated \$1.6 billion or a reduction of \$4.1 billion, largely due to transfer of programs out of DSHS to other agencies pursuant to Sunset related legislation passed during the previous Legislature. This reduction is a 72.5% reduction from the previous biennium.

The Health and Human Service Commission is appropriated \$72.3 billion which is an increase of \$1.3 billion over the 2016-17 biennium. This amount is also impacted by programs that had been transferred into and programs transferred out of other state agencies.

HB 2 relates to making supplemental appropriations and giving direction and adjustment authority regarding appropriations.



HB 2, as enrolled, provides the following:

SUPPLEMENTAL APPROPRIATIONS BY ARTICLE MILLIONS OF DOLLARS	GENERAL REVENUE	ALL FUNDS
General Government	(\$65.8)	(\$65.8)
Health & Human Services	\$987.6	\$2,587.5
Education	\$8.0	\$8.0
Public Safety & Criminal Justice	\$84.5	\$84.5
Natural Resources	\$0.6	(\$30.4)
Business & Economic Development	(\$14.2)	(\$14.2)
Regulatory	-	(\$1.2)
TOTAL	\$1,000.8	\$2,568.4

Medicaid: \$2,393.4 million (ALL FUNDS) Funding includes \$793.6 million in GR and \$1,599.8 million in federal funding to cover a Medicaid shortfall.

Critical Needs at DFPS: \$158.3 million (ALL FUNDS) The bill provides the Dept. of Family and Protective Services (DFPS) with \$101.7 million in GR for critical needs and reimbursement to the Health and Human Services Commission (HHSC) for transfers in 2017, and \$56.6 million in GR for entitlement programs and day care.

Correctional Managed Health Care: \$80.0 million (ALL FUNDS) The bill provides the Dept. of Criminal Justice (TDCJ) \$80.0 million in GR for correctional managed health care costs.

Other Health & Human Services Funding: \$35.7 million (ALL FUNDS) Funding includes \$6.9 million in GR to HHSC for rehab services and the early childhood intervention program, \$13.7 million in GR to the Dept. of Aging and Disability Services for state supported living centers, and \$15.1 million in GR to the Dept. of State Health Services for state hospitals.

Disaster Grants and Reimbursements: \$7.5 million (ALL FUNDS) The bill provides \$7.5 million in GR to the Texas A&M Forest Service for emergency responses reimbursement.

Other Non-Health & Human Services Funding: \$6.2 million (ALL FUNDS) The bill provides \$1.0 million in GR to Kilgore College for group insurance, \$4.5 million in GR to Texas Juvenile Justice Dept. for facility operations, and \$0.6 million in GR to the Animal Health Commission for cattle tick fever mitigation.



Program & Operations reductions: (\$33.1) million (ALL FUNDS) The bill includes \$0.9 million in GR savings from Texas Facilities Commission (\$0.2) million, Texas Public Finance Authority (\$0.2) million, and the Texas Education Agency (\$0.5) million; and (\$32.2) million in General Revenue-Dedicated savings from Texas Commission on Environmental Quality (\$31.0) million and Public Utility Commission (\$1.2) million.

Debt Service and Lease Payment Reductions: (\$79.5) million (ALL FUNDS) Projections indicate approximately \$65.8 million in GR savings from bond debt services payments that accrued due to delays in bond issuances and actual interest rates being lower than originally projected, and \$13.8 million in GR savings from lease payments.



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85th Session End of Session Report

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