

**Department of Legislative Services**  
Maryland General Assembly  
2018 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 169  
Finance

(Senators Feldman and Brochin)

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**Public Health - Prescription Drug and Medical Supply Access and Affordability  
Workgroup**

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This bill requires the Secretary of Health to convene a workgroup to study the advisability of (1) the State forming a generic drugs and medical supplies purchasing cooperative and (2) establishing Maryland as an open formulary state. By January 1, 2019, the workgroup must report its findings and recommendations to the Governor and the General Assembly. **The bill takes effect July 1, 2018, and terminates June 30, 2019.**

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**Fiscal Summary**

**State Effect:** The Maryland Department of Health can convene the required workgroup using existing budgeted resources. Revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** The bill specifies the membership of the workgroup, including members of the General Assembly, certain State officials (or their designees), and several individuals appointed by the Secretary of Health.

The workgroup must study and make recommendations regarding the advisability of the State, along with hospitals, pharmacies, health care facilities, and private medical practices, (1) forming a purchasing cooperative to use the collective purchasing power of the State and all participating medical institutions and private medical practices to purchase medical

supplies and drugs and (2) contracting with qualified organizations to manufacture generic drugs and medical supplies at a lesser cost than can be purchased through traditional distribution channels. The workgroup must also study and make recommendations regarding the advisability of prohibiting insurers, nonprofit health service plans, and health maintenance organizations that provide coverage for prescription drugs and devices from restricting coverage by use of a formulary.

**Current Law:** Chapter 428 of 2005 established the Maryland Rx Program in the Department of Budget and Management (DBM) to achieve savings on prescription drugs for the State Employee and Retiree Health and Welfare Benefit Plan and any local government or other qualifying entity through (1) a preferred list of covered prescription drugs; (2) drug manufacturer rebates; (3) negotiated discounts; and (4) other cost-saving measures. Although established, DBM advises that no entities have sought to participate in the program.

**Background:** According to the National Conference of State Legislatures, as of December 2015, there were five operating multistate bulk buying pools, most often associated with states' Medicaid programs. Maryland, along with five other states, currently participates in TOP\$, a multistate Medicaid pooling arrangement through which Magellan, the managing vendor, negotiates with drug manufacturers for supplemental rebates above and beyond the mandated federal rebates.

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### **Additional Information**

**Prior Introductions:** Similar legislation, SB 1126 of 2017, received a hearing in the Senate Finance Committee, but no further action was taken. Its cross file, HB 1610, received a hearing in the House Health and Government Operations Committee and was later withdrawn.

**Cross File:** None.

**Information Source(s):** Department of Budget and Management; Maryland Department of Health; Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - January 31, 2018  
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