



DEPARTMENT OF HEALTH

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Dennis R. Schrader, Secretary

March 10, 2022

The Honorable Shane E. Pendergrass
Chair, House Health and Government Operations Committee
Room 241, House Office Building
Annapolis, MD 21401-1991

RE: HB 1007 – Maryland Medical Assistance Program and Managed Care Organizations That Use Pharmacy Benefits Managers – Reimbursement Requirements - Letter of Information

Dear Chair Pendergrass and Committee Members:

The Maryland Department of Health (MDH) respectfully submits this letter of information on House Bill (HB) 1007 – Maryland Medical Assistance Program and Managed Care Organizations That Use Pharmacy Benefits Managers – Reimbursement Requirements. HB 1007 requires Maryland Medicaid to establish minimum reimbursement levels for prescriptions that are not less than the national average drug acquisition cost of the generic product plus the fee-for-service professional dispensing fee determined by MDH in accordance with the most recent in-state cost-of-dispensing survey.

HB 1007 is projected to cost MDH \$536 million over five years.¹ In fiscal year (FY) 2023 alone, it will cost \$98.4 million (\$59.0 million federal funds/\$39.4 million general funds). These funds are not budgeted for. Additionally, this bill reverses the General Assembly's previous policy direction² to have the managed care organizations administer the Medicaid pharmacy benefit to ensure access to prescription drugs by Marylanders, and to manage skyrocketing drug costs.

MDH has undertaken several pharmacy initiatives in recent years including the completion of the 2019 HB 589 Pharmacy Benefits Manager (PBM) audit³, a requirement of price transparency and the elimination of spread pricing beginning in calendar year 2021 in all nine managed care organization contracts, and the creation of an appeals process in accordance with contracts between a PBM and managed care organization.

¹ Based on an effective date of April 1, 2022, as this bill is an emergency measure, the impact for the remaining three months of State Fiscal Year 2022 would be \$24.1 million. FY23: \$98.4 million; FY24 will be \$100.3 million; FY25 \$102.3 million; FY26 \$104.4 million; FY27 \$106.5 million.

² HB 1290 (2015); report available at:

<https://mmcp.health.maryland.gov/Documents/JCRs/MCOPharmacynetworksJCRfinal12-15.pdf>

³ House Bill 589 (2019); report available at:

[https://health.maryland.gov/mmcp/SiteAssets/Pages/Reports-and-Publications/hb589PBMAuditappealsJCRfinal12-19%20\(1\).pdf](https://health.maryland.gov/mmcp/SiteAssets/Pages/Reports-and-Publications/hb589PBMAuditappealsJCRfinal12-19%20(1).pdf)

In an additional effort to support incorporation of lessons learned from the above referenced PBM report, MDH issued the "Small Rural Pharmacy Grants Program" funding opportunity in both FY21 and FY22, through MDH's Office of Pharmacy Services to support small rural pharmacies through the award of \$1.5 million in supplemental funding each year. Additional information on the program can be found here, <https://mmcp.health.maryland.gov/pap/Pages/Grants-Program.aspx>.

If you have any questions, please contact Heather Shek, Director of Governmental Affairs, at heather.shek@maryland.gov or (410) 206-3190.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis R. Schrader". The signature is written in a cursive style with a large initial 'D'.

Dennis R. Schrader
Secretary