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HOUSE BILL 340 Prescription Drug Affordability Board - Authority for Upper Payment Limits and Funding (The Lowering Prescription Drug Costs For All Marylanders Now Act)

STATEMENT OF INFORMATION

DATE: February 6, 2024

COMMITTEE: Health and Government Operations

SUMMARY OF BILL: House Bill 340 establishes an ongoing \$1 million general fund mandate to the Prescription Drug Affordability Board (PDAB) beginning in fiscal 2025 for operation of the board. The bill also establishes a process for setting upper payment limits for purchases and payer reimbursement of prescription drug products.

EXPLANATION: PDAB is funded with special funds that come from annual fees from pharmacy benefit managers, health insurance carriers, and wholesale distributors and manufacturers. PDAB operations are intended to be funded by special fund revenues generated from these fees. In fiscal 2024, \$1 million in general funds were added to PDAB’s budget as a legislative priority. The Governor’s fiscal 2025 allowance does not include general funds for PDAB with the assumption the board’s operations will be funded by special funds. Currently, PDAB’s annual expenditures exceed annual revenue; however, due to prior year fund balances and the general funds that were added to PDAB’s budget in fiscal 2024, they are not projecting a negative fund balance. PDAB is assessing the current annual fee of \$1,000 to support operations and may increase the annual fee in the future if necessary to better meet their operating expenditure needs. See a summary of PDAB’s special fund below:

	Beginning Balance	Revenue	Expenditures	Closing Balance	Exp. as % of Rev.
FY 2023	\$797,006	\$993,093	\$1,118,957	\$671,142	113%
FY 2024	\$671,142	\$1,143,000	\$1,424,862	\$389,280	125%
FY 2025	\$389,280	\$971,000	\$1,247,411	\$112,869	128%
Average	\$619,143	\$1,035,698	\$1,263,743	\$391,097	122%

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and will be working with the General Assembly to achieve balance over the long-term. In light of current projected general fund deficits in fiscal 2026 and onward, the Department suggests that PDAB consider increasing its fee to cover expenses in future years rather than the General Assembly mandating general fund subsidy.

**For additional information, contact Laura Vykol-Gray at
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