

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1126
Finance

(Senators Brochin and Pinsky)

**Public Health - Generic Drugs and Medical Supplies Purchasing Cooperative
Workgroup**

This bill requires the Secretary of Health and Mental Hygiene to convene a workgroup to study the advisability of the State forming a generic drugs and medical supplies purchasing cooperative. By January 1, 2018, the workgroup must report its findings and recommendations to the Governor and the General Assembly.

The bill takes effect July 1, 2017, and terminates June 30, 2018.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The workgroup must include one member of the Senate Finance Committee, selected by the President of the Senate; one member of the House Health and Government Operations Committee, selected by the Speaker of the House of Delegates; the Attorney General (or designee); the Secretary of Health and Mental Hygiene (or designee); the Secretary of Budget and Management (or designee); the Executive Director of the Health Services Cost Review Commission (or designee); and specified individuals

selected by the Secretary of Health and Mental Hygiene. The Secretary of Health and Mental Hygiene (or designee) must chair the workgroup.

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.

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.

Additional Information

Prior Introductions: None.

Cross File: HB 1610 (Delegate West) - Health and Government Operations.

Information Source(s): National Conference of State Legislatures; Department of Budget and Management; Department of Health and Mental Hygiene; Department of Legislative Services

Fiscal Note History: First Reader - March 14, 2017
md/ljm

Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

