

Department of Legislative Services  
Maryland General Assembly  
2018 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 1402 (Delegates Adams and Saab)  
Health and Government Operations

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Pharmacy Benefits Managers - Pharmacy Choice

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This bill prohibits a pharmacy benefits manager (PBM) from requiring that a beneficiary use a specific pharmacy or entity to fill a prescription if (1) the PBM has an ownership interest in the pharmacy or entity or (2) the pharmacy or entity has an ownership interest in the PBM.

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Fiscal Summary

**State Effect:** No impact on the State Employee and Retiree Health and Welfare Benefits Program. Revenues are not affected.

**Local Effect:** To the extent the ability to control the cost of prescription drug plans is curtailed under the bill, local governments may experience cost increases in prescription drug plans. Revenues are not affected.

**Small Business Effect:** Minimal; however, small businesses may experience cost increases in prescription drug plans.

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Analysis

**Current Law/Background:** A PBM is a business that administers and manages prescription drug benefit plans for purchasers. A PBM must register with the Maryland Insurance Administration prior to providing pharmacy benefits management services. The Insurance Commissioner is authorized to examine the affairs, transactions, accounts, and records of a registered PBM at the PBM's expense. A PBM is prohibited from shipping, mailing, or delivering prescription drugs or devices to a person in the State through a

nonresident pharmacy unless the nonresident pharmacy holds a nonresident pharmacy permit from the State Board of Pharmacy.

All PBMs own their own mail order and specialty pharmacies, which in some cases may raise conflict of interest issues. Some employers utilize narrow pharmacy networks as a cost-containment strategy for prescription plans.

**State Expenditures:** The Department of Budget and Management advises that the prescription drug plan under the State Employee and Retiree Health and Welfare Benefits Program prohibits a PBM from requiring a beneficiary to use a specific pharmacy; thus, there is no operational or fiscal impact on the program.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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