NACDS NATIONAL ASSOCIATION OF CHAIN DRUG STORES

February 21, 2020

Chairperson Shane E. Pendergrass
Health and Government Operations Committee
Maryland General Assembly
House Office Building
Room 241
6 Bladen Street
Annapolis, Maryland 21401

RE: House Bill 756 (HB 756)- Maryland Medical Assistance Program and Managed Care Organizations (MCO) That Use Pharmacy Benefits Managers (PBM) - Reimbursement Requirements

Dear Chairperson Pendergrass and Members of the Health and Government Operations Committee:

On behalf of the 780 chain pharmacies operating in the state of Maryland, the National Association of Chain Drug Stores (NACDS) is pleased to offer support for HB 756 that would establish a minimum standard of payment and set a reimbursement rate floor in the Medicaid managed care program. To ensure that participating pharmacies are reimbursed for the costs of serving Medicaid patients, NACDS supports legislative policies that require Medicaid managed care plans to reimburse participating pharmacies at rates that are at least equal to the rates and dispensing fees that are used in the Maryland fee-for-service (FFS) program.

Adopting the FFS reimbursement rates as the minimum standard for reimbursement in managed care will increase transparency as well as create a level playing field for all providers, thereby allowing for some financial stability and predictability of reimbursement in these private contracts. By adopting the National Average Drug Acquisition Cost (NADAC) and dispensing fees as approved in the current state plan as the rate floor in its managed care program, the legislature would not only be ensuring that reimbursement rates are accurate and relevant, but they would also allow pharmacies to be paid at rates that are reflective of the true cost to acquire and dispense prescription drugs to Medicaid beneficiaries.

It is important to note that pharmacies are not seeking an economic windfall; we are only asking to be reimbursed for the costs of serving Medicaid patients. Under federal and state reimbursement standards, Medicaid FFS rates are set based on actual pharmacy costs, without profit margins.

The move to adopt the FFS rate as a rate floor for managed care plans would not only ensure minimum reimbursement rates, but it would also be aligned with other proposed federal regulations and legislate initiatives. Specifically, in the November 2018 Medicaid Program; Medicaid and Children's Health Insurance Plan (CHIP) Managed Care Proposed Rule, CMS recognized that some states are experimenting with payment models that use cost-based reimbursement models in their managed care programs. To encourage states to develop these payment models and to eliminate the need for states to modify their payment models as only minimum or maximum fees schedules, the CMS proposed rule

1776 Wilson Blvd • Suite 200 • Arlington, VA 22209 • 703.549.3001 • Fax: 703.836.4869 • www.NACDS.org

gives states the authority to require managed care plans to adopt cost-based rates for network providers that furnish a particular service under the contract. Lastly, because these rates have already been approved as a part of the state plan, the CMS proposed rule removes requirements for prior approval for payment arrangements that are based on the state plan approved rates, thus making it easier for such rates to be applied to managed care plans.

Similarly, on September 25, the U.S. Senate Committee on Finance released the text of the Prescription Drug Pricing Reduction Act (PDPRA) of 2019 (S. 543) to reform drug pricing, which also includes provisions that would require payments to be made in the same manner as the cost-based reimbursement requirements in Federal regulation as set forth for FFS programs. Specifically, the provision would require plans to not only use a pass-through model, but it also requires plans to reimburse pharmacies at rates that are limited to the ingredient cost and a dispensing fee, which can be no less than the rates that the state is paying under the state plan or waiver for the FFS population. While this language has not been enacted yet, it is a clear indication that efforts are targeted to ensuring that managed care pharmacy reimbursement rates are fair and adequate to cover the true costs to dispense prescription drugs to Medicaid beneficiaries. As such, we believe that Maryland Medicaid should adopt similar requirements to ensure that pharmacies are reimbursed accordingly for prescription drugs dispensed to state managed care beneficiaries.

NACDS supports policies that ensure that payment rates are at levels that help to preserve patient access once transitioned to managed care. The adoption of the FFS reimbursement rate as a rate floor in managed care plans would ensure that pharmacy providers receive reimbursement rates that at least cover their costs. With HB 756 Maryland would join several other states that are using and are considering the use of the current FFS rates for pharmacy reimbursement in their managed care programs. As these other states have recognized the importance of fair and accurate reimbursement rates in their managed care programs, the adoption of HB 756 would also ensure continued patient access to needed prescription drugs and services provided by retail community pharmacists operating in Maryland.

Thank you for the opportunity to share our perspectives on House Bill 756. We urge lawmakers to advance this important legislation to help ensure accurate and relevant reimbursement rates in Maryland. We welcome the opportunity for further discussion; for any questions, please contact NACDS' Jill McCormack at JMcCormack@nacds.org or at 717-525-8962.

Sincerely,

Steven C. Anderson, IOM, CAE
President and Chief Executive Officer