



Date: March 13, 2024

To: The Honorable Pamela Beidle, Chair

From: Aliyah N. Horton, FASAE, CAE, Executive Director, MPhA, 240-688-7808

Cc: Members, Senate Finance Committee

Re: FAVORABLE - SB 1012- Pharmacy Benefits Administration - Maryland Medical Assistance Program and Pharmacy Benefits Managers

The Maryland Pharmacists Association (MPhA) urges a favorable report for **SB 1012- Pharmacy Benefits Administration - Maryland Medical Assistance Program and Pharmacy Benefits Managers.**

Pharmacies must be paid for the prescriptions they dispense and the cost of dispensing - based on real transparent data – the National Average Drug Acquisition Cost (NADAC) plus a \$10.67 dispensing fee based on the states own cost of dispensing survey. This payment model matches the payment structure in the Fee for Service program.

WHAT WE KNOW

The State of Maryland paid a Professional Dispensing Fee on each MCO pharmacy claim an AVERAGE of \$0.67 FOR CY 2021 AND \$0.59 FOR CY 2022! It's unconscionable.

The state, based on the PBM administration of its pharmacy benefit, has actively underpaid pharmacies approximately \$78.2 million dollars per year.

We have consistently raised concerns about the role of PBMs, including spread pricing. Spread pricing is the difference between how much a PBM reimburses the pharmacy for a drug and the higher price they charge the plan (or state) for the same prescription.

In 2019, due to pharmacy community advocacy the Department of Health investigated and determined that there was an average spread of \$6.96 in the Medicaid MCO program. **The PBMs were fleecing approximately \$72 million from the state on the backs of pharmacies.** What happened as a result...

The state eliminated spread pricing. Little was done close the under-reimbursement gap and sustain pharmacies. There was a brief time where limited enhanced dispensing fees were provided for rural pharmacies. That program is over.

This payment model would not be accepted for any other healthcare provider. Other providers have options to cap Medicaid patients and even opt-out of the program. Pharmacy contracts DO NOT allow that option.

If the state is requiring pharmacies to provide a service, then the state should pay what they have determined and validated (as they have done in the Fee for Service Program) to be the cost of the service.

Pharmacies provide a safe space for accessible healthcare providers, pharmacists, to serve our communities. They are also a business that by law cannot operate like any other business. They are not allowed to:

- pick and choose customers;
- decide whether to take a contract or not;
- refuse to dispense if they can't make a profit; or
- require a Medicaid patient to pay for their medication if they say they don't have money.

There has been speculation regarding pharmacy net closings and openings in Maryland. The reality is pharmacies are being put on the market, medications are not being stocked and therefore patients are not being served. This is happening in communities that are most in need.

The National Community Pharmacy Association (NCPA) issued a [press release on a national survey](#) that was conducted in February.

Survey Lowlights:

- 32 percent of all respondents say they are considering closing their doors in 2024 because of the cash crunch.
- Ninety-three percent say they may drop out of Medicare Part D in 2025.
- *In 2023, there were over 300 independent pharmacy net closures — almost one less pharmacy open for patients a day — and there are approximately 2,200 fewer retail pharmacies than there were four years ago. Pharmacy owners are doing everything than can to avoid closing their doors. Many are cutting hours, reducing staff, and eliminating services. (Doug Hoey, NCPA CEO)*
- Nearly 70 percent, according to the survey, have had to dip into their personal savings.

PLEASE TAKE ACTION. PAY PHARMACIES! The data is there for you to decide.

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