



Testimony offered on behalf of:  
**EPIC PHARMACIES, INC.**

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IN SUPPORT OF:

**SB 1021 – Pharmacy Benefits Administration - Maryland Medical Assistance Program and Pharmacy Benefits Managers**

Hearing 3/12 at 1:00PM

EPIC Pharmacies Supports SB 1021 – Pharmacy Benefits Administration - Maryland Medical Assistance Program and Pharmacy Benefits Managers.

To continue to provide services to the citizens of Maryland, EPIC Pharmacies believes it is essential to have a fair and transparent pricing structure for Medicaid Managed Care Organizations (MCO's). The current pricing structure unfairly allows PBMs to reimburse the majority of MD MCO prescription claims below the cost retail pharmacies must pay to acquire the medication. **In 2023, 64.8% of the prescriptions I filled for MD Medicaid MCOs were paid below my cost for the drug and 94.3% were paid below my cost to dispense.** Medicaid Fee for Service (FFS) on the other hand, is federally obligated to survey and evaluate the prescription market in Maryland, and to reimburse pharmacies based upon the actual cost to acquire and dispense those medications. This has been accomplished by an independent accounting firm who continuously surveys the actual medication costs from real invoices to publish the National Average Drug Acquisition Cost or NADAC and by the State surveying dispensing costs periodically to determine the FFS dispensing fee. Both NADAC and the MD FFS dispensing fee (currently \$10.67) are based in reality and are not beholden to generating profit for PBM executives or stockholders.

Pharmacies cannot continue to provide uncompensated care to the patients within these Medicaid MCO plans. Last year my small pharmacy dispensed 3736 prescriptions to patients from five Maryland Medicaid MCO plans. We were reimbursed a total of \$168,715.29 for those claims which sounds like a lot until you take into account our cost to provide those prescriptions and accompanying unfunded services was \$206,018.30, **resulting in a loss to the pharmacy of \$37,303.01 for 2023!** Why should community pharmacies subsidize the state of Maryland's Medicaid MCO plans? I can tell you that many like me are actively looking for ways to stop bearing the burden of donating these resources to the state and that will likely result in less care. If we don't find a way to fairly pay pharmacies, we will certainly see a decrease in the pharmacies providing care to our communities.

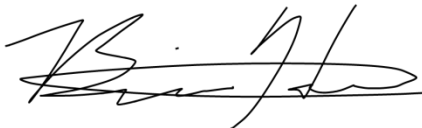
We had high hopes for the MCO study that was commissioned by legislation in 2023 and was to be completed in October of last year. When the study came out in December, we were disappointed by the failure of the department to make any recommendations or even meet the main charges of the study. There was little transparency in the study design and we are still not sure if the PBM owned pharmacy claims for expensive specialty drugs filled through mail order were even included in the calculations. While not addressing all of the actual study charges, they were happy to look at 2 years of pharmacy opening and closing data during the pandemic to imply that pharmacies are healthy and being paid fairly. The reality is that since 2018, we have

seen a loss of 63 independent pharmacies and 71 chain pharmacies in the state of MD. Even if you go back further to 2013, there are now 4 fewer chains and 27 fewer independent pharmacies in MD communities that have seen population growth over the time period. Industry experts believe that there will be more pharmacy closures in 2024 than we have seen in decades. These low Medicaid MCO reimbursements certainly play into those decisions for corporations and independent owners.

When the Maryland Medicaid Fee for Service program converted from WAC based pricing to NADAC based pricing, the FFS Division Chief told stake holders that NADAC pricing would more equitably spread State of Maryland funding to all stakeholders rather than the previous system, where a few stakeholders had outsized gains to the detriment of the others. We could not agree with him more. That conversion in price methodology was considered net neutral for MD and we believe that if done correctly, this change in the MCO program could also be neutral to the State budget contrary to the findings of a failed MCO study.

As such, EPIC Pharmacies recommends a favorable report on HB 1021 because we need your help.

Thank you,

A handwritten signature in black ink, appearing to read 'Brian M. Hose', written over a horizontal line.

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