

February 8, 2024

The Honorable Joseline A. Peña-Melnyk
Chair, House Health and Government Operations Committee
Room 241, House Office Building
6 Bladen St.
Annapolis, MD 21401

Re: Letter of Support – HB 340 – Prescription Drug Affordability Board - Authority for Upper Payment Limits and Funding (Lowering Prescription Drug Costs for All Marylanders Act of 2024)

Dear Chair Peña-Melnyk and Members of the House Health and Government Operations Committee,

The Maryland Health Benefit Exchange (MHBE) respectfully submits this letter of information for House Bill (HB) 340 – Prescription Drug Affordability Board - Authority for Upper Payment Limits and Funding. HB 340 would expand the authority of the Prescription Drug Affordability Board to establish a process for setting upper payment limits for all purchases and payor reimbursements of prescription drug products in the State, that the Board determines have led or will lead to an affordability challenge.

MHBE supports state-wide efforts to address high costs of prescription drug products and health care costs generally and would also like to address the potential impact reigning in high costs of certain prescription drugs could have on lowering commercial health insurance premiums. A report from the Maryland Health Care Commission cited prescription drugs accounted for almost a third (**29.7 percent**) of total per capita spending for privately insured markets in Maryland in 2020. The report also found a **7.2 percent** increase in per capita spending on prescription drug products between 2019 and 2020, largely accounted for by increased unit cost of products.¹ Lower prices for higher-cost prescription drugs could reduce commercial insurers' per capita spending, putting downward pressure on average monthly premiums, along with out-of-pocket drug costs for consumers.

Lower prices for higher-cost prescription drugs could also reduce consumers' out-of-pocket spending. Recent polling by the Kaiser Family Foundation found that more than a quarter of adults taking prescription drugs report difficulty affording their medication, including 40% of those with annual household incomes below \$40,000.²

While difficult to estimate, lowering certain prescription drug costs would also potentially decrease costs associated with the State's Reinsurance Program, which works to mitigate the impact of high-cost enrollees on premium rate increases in the individual market. Specifically,

¹ Maryland Health Care Commission: [Spending and Use Among Maryland's Privately Insured Report, 2020](#) (2022).

² Kaiser Family Foundation: [Public Opinion on Prescription Drugs and Their Prices](#) (August 2023).

lower prescription drug costs could reduce the number of individuals whose annual costs exceed the threshold at which reinsurance payments made by the State to an individual's insurer kicks in (\$20,000 for plan year 2024),³ and, for those individuals who reach the threshold, reduce the claims costs that Reinsurance Program reimburses.

For further discussions or questions on HB 340, please contact Johanna Fabian-Marks, Director of Policy and Plan Management at johanna.fabian-marks@maryland.gov.

Sincerely,



Michele Eberle
Executive Director

³ Maryland Health Benefit Exchange: [2022 Reinsurance Results and 2024 Reinsurance Parameters](#) (July 2023).