



HB 880 (2024)

Maryland Medical Assistance Program and Managed Care Organizations That Use Pharmacy Benefit Managers-Reimbursement requirements

POSITION OF IPMD: FAVORABLE

1. HB 880 sets minimum reimbursement levels to pharmacies under Medicaid at least equal to the NADAC acquisition cost of the drug plus a professional dispensing fee determined in accordance with the most recent in state cost-of-dispensing survey.
2. Medicaid MCO reimbursements to pharmacies by PBMs are notoriously low. According to the 2020 Myers and Stauffer study, the average is about 50 cents as a dispensing fee per subscription, well below actual costs. In addition, pharmacies are often not fully reimbursed for the costs of their ingredient. This business model is not sustainable for pharmacies to survive, and reimbursement fees must be significantly boosted under Medicaid managed care. Under traditional Medicaid, fee for service reimbursements approved by CMS are \$10.67 as a professional dispensing fee. That same fee should, in all fairness, be reimbursed to pharmacies for their actual costs in managed care.
3. PBMs and their affiliated pharmacies, including PBM mail order pharmacies, are unbelievably profitable, as PBMs steer consumers to their affiliated pharmacies, require the use of their mail order pharmacies, determine which pharmacies will be included in their networks, set plan and pharmacy reimbursement terms on a take it or leave it basis; in addition, they reap large profits through rebates from drug companies. Moreover, PBM and PBM affiliated pharmacies are often a part of the same large conglomerate; for example the CVS PBM, a part of the large conglomerate consisting of Aetna Insurance, CVS Pharmacies, CVS PBM, and CVS Mail Order Pharmacies. These vertically integrated PBM organizations are unbelievably profitable. For fiscal year ending 2022, just the PBM division of CVS had revenues over \$169 Billion, up 10.6% over a year ago (and up 8% over the year before).
4. As passed last session, the Drug Affordability Board, and the Department of Health, were required to collect necessary data to help determine a fair reimbursement rate that should be paid to Independent Pharmacies by PBMs under Medicaid managed care programs. Myers and Stauffer were hired as consultants to determine the methodology for a fair reimbursement rate. They completely failed to do this, and ignored the mandate of the General Assembly to recommend a methodology for an adequate dispensing fee.



5. Passage of this bill will promote fair treatment of independent pharmacies by PBMs. Pharmacies should not be required to subsidize the profits of PBMs, or the costs of services provided by the state. They should be fairly and fully reimbursed for their actual costs.