

February 6, 2025

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

Re: House Bill (HB) 424 – Prescription Drug Affordability Board - Authority for Upper Payment Limits (Lowering Prescription Drug Costs for All Marylanders Now Act) - Letter of Information

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) 424 – Prescription Drug Affordability Board - Authority for Upper Payment Limits. HB 424 would expand the authority of the Prescription Drug Affordability Board (PDAB) 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 recognizes the importance of state-wide efforts to address high costs of prescription drug products and health care costs generally. We know that prescription drugs, in particular brand name drugs, are a significant driver of premium costs in the individual market and state costs via the state reinsurance program. A report from the Maryland Health Care Commission determined that **prescription drugs accounted for almost a third (30%) of total per capita spending** for privately insured markets in Maryland in 2020.¹ In an MHBE analysis of 2022 Maryland individual market claims, **brand name drugs accounted for 21% (\$343M) of all claims costs by all enrollees and 27% (\$279M) of all claims costs by enrollees in the state reinsurance program.** Just a few drugs account for a significant portion of these costs: the top 10 drugs by total spend accounted for 10% (\$105M) of all claims costs for reinsurance-eligible enrollees.

Our analysis indicates significant overlap between the top drugs by spending in the individual market and eight high-cost prescription drug products initially identified by PDAB in 2024 to consider for cost review.² In 2022, these eight drugs alone accounted for around \$76 million in spending in the individual market in Maryland, equating to around 5% of spending on all services in the individual market.³

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

² Prescription Drug Affordability Board: [May 2024 Meeting](#).

³ MHBE analysis of 2022 all-payer claims databases (APDC) individual market data.

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. 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 \$40,000.⁴ Reduced out-of-pocket costs may improve

Lowering certain prescription drug costs would also potentially decrease costs associated with the reinsurance program, which works to mitigate the impact of high-cost enrollees on premium rate increases in the individual market. Specifically, 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 (\$21,000 for plan year 2025),⁵ and, for those individuals who reach the threshold, reduce the claims costs that the reinsurance program reimburses.

For further discussions or questions on HB 424, please contact Johanna Fabian-Marks, Director of Policy and Plan Management at johanna.fabian-marks@maryland.gov.

Sincerely,



Michele Eberle
Executive Director

⁴ Kaiser Family Foundation: [Public Opinion on Prescription Drugs and Their Prices](#) (August 2023).

⁵ Maryland Health Benefit Exchange: [2025 Reinsurance Parameters](#) (July 2024).