



February 4, 2025

The Honorable Delegates Bonnie Cullison and Jennifer White Holland
Health and Government Operations Committee
State of Maryland
Annapolis, MD 21401

RE: Letter of Concern Regarding HB 424 and Possible Unintended Outcomes of Upper Payment Limit Implementation

Delegates Cullison and White Holland, and Members of the Health and Government Operations Committee,

I write on behalf of Maryland's independent pharmacies, who, along with their patients, will be greatly affected by the implementation of an upper payment limit on certain medications as determined by the state's Prescription Drug Affordability Board. In particular, Delegate Cullison, this letter is a follow up to the comments recently submitted by one of your constituents, a pharmacist and independent pharmacy owner in Silver Spring.

Perhaps no one better understands the good-hearted intention behind this initiative—to improve access to affordable medications for all citizens—than pharmacists. Pharmacists are often the ones breaking the bad news of high cost shares and copays to the patient, and want to see medication made more affordable. However, we believe the potential consequences of an Upper Payment Limit could lead to unintended negative outcomes that may undermine the objective of making expensive medication more affordable.

Our key concerns are as follows:

Viability of Pharmacy Operations if Reimbursements are Below Drug Acquisition Cost

One of the most well-documented and publicized threats to pharmacy is the pharmacy benefit manager (PBM) business model, which promises savings to consumers and plan sponsors but takes those “savings” in the form of low- and below-acquisition cost reimbursements back to pharmacies. This has resulted in an epidemic of pharmacy closures and the emergence of pharmacy deserts in urban and rural areas. When pharmacies cannot recoup their costs through fair reimbursement (i.e. recouping the full acquisition cost and a professional dispensing fee to cover costs of dispensing because patients cannot bring their own pill bottles to the pharmacy), they ultimately cannot stay in business. The impact of pharmacy closures on communities has yet to be fully realized, but who loses most when a pharmacy closes is the patient. For many patients in many communities, the pharmacy is the only available healthcare provider.

Administrative Burden

Implementing the Upper Payment Limit program would likely introduce increased administrative complexities at the pharmacy, which will be additionally burdened in 2026 by the undefined reimbursement process of the Inflation Reduction Act's Medicare Part D drug price negotiations. Beginning in 2026, under the IRA, **pharmacies are projected to need to “float” some \$11,000 per**



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week in unpaid reimbursements from drug manufacturers of the first 10 negotiated medications, and are expected to absorb losses as much as \$46,476 per year - the equivalent of a pharmacy tech FTE.¹ We are deeply concerned that HB 424 may not have its repayment processes fully defined and may unintentionally create additional administrative burdens for pharmacies already struggling to work through reporting and repayment processes under the IRA.

Impact on Drug Innovation

As the medical professionals specifically trained on the efficacy and safety of medications, pharmacists cannot pretend there isn't a need for potentially better, safer medications that can transform a patient's illness from "sustained treatment" to "cured". We remain concerned that upper payment limits may disincentivize pharmaceutical companies from investing in research and development (R&D), and/or reduce the number of new drug discoveries.

Affordability and Accessibility in Underserved Areas

While the aim is to make medications more affordable, there is a risk that this program may disproportionately affect marginalized communities. Patients in underserved areas may face challenges in accessing medications if pharmacies cannot afford to stock certain drugs due to price restrictions. It is crucial that any affordability measures consider the diversity of patient needs and the ability of the patient to access medication.

In light of these concerns, we respectfully ask the Health and Government Operations Committee to carefully consider how the implementation of the Upper Payment Limit program in its current form could potentially undermine patient access to medication and their local pharmacies. It is essential that we seek a balanced approach that promotes both affordability and ease of program administration while keeping an eye on the factors that promote necessary innovation in medication research and development.

Thank you for your hard work on behalf of your constituents, and for your time and attention to our comments on this important matter. If we can be of assistance and/or a resource to work through the intricacies of administering drug-cost savings programs for patients at the pharmacy level, I hope you will not hesitate to contact us. We look forward to your response and hope to see a solution that benefits all stakeholders involved.

Yours in advocacy,

Monique Whitney
Executive Director

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¹ *Unpacking the Financial Impacts of Medicare Drug Price Negotiation Analysis on Pharmacy Cash Flows*, 3 Axis Advisors. January 2025. <https://www.3axisadvisors.com/projects/tag/Inflation+Reduction+Act>