

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 526
Finance

(Senator Lam)

**Health Insurance - Pharmacy Benefits Managers - Specialty Drugs Dispensed by
a Physician**

This bill prohibits a pharmacy benefits manager (PBM) that provides pharmacy benefits management services on behalf of a carrier from requiring a beneficiary to use a specific pharmacy or entity for certain specialty drugs. This prohibition applies if the drug is (1) dispensed by a physician; (2) used in the treatment of a chronic, complex, rare, or life-threatening medical condition; and (3) injected or infused (or an oral drug that meets specified conditions). For a specialty drug that fulfills these requirements (including one dispensed by mail order), a PBM that provides pharmacy benefits management services on behalf of a carrier may not reimburse a pharmacy or pharmacist in an amount less than what the PBM reimburses itself or an affiliate for the same specialty drug.

Fiscal Summary

State Effect: Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) in FY 2025 only from the \$125 rate and form filing fee. Any additional workload for MIA can be absorbed with existing budgeted resources. No impact on the State Employee and Retiree Health and Welfare Benefits Program.

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law:

Specialty Drugs

A “specialty drug” means a prescription drug that (1) is prescribed for an individual with a complex or chronic medical condition or a rare medical condition; (2) costs \$600 or more for up to a 30-day supply; (3) is not typically stocked at retail pharmacies; and (4) requires either a difficult or unusual process of delivering the drug to the patient or enhanced patient education, management, or support before or after administration of the drug. A specialty drug does not include a prescription drug prescribed to treat diabetes, HIV, or AIDS; it does include a prescription drug prescribed to treat multiple sclerosis, hepatitis C, rheumatoid arthritis, cystic fibrosis, hemophilia, or multiple myeloma.

Pharmacy Benefits Managers

A PBM is a business that administers and manages prescription drug benefit plans. A PBM must register with MIA prior to providing pharmacy benefits management services.

A PBM that provides pharmacy benefits management services on behalf of a carrier may not require that a beneficiary use a specific pharmacy or entity to fill a prescription if the PBM (or a corporate affiliate) has an ownership interest in the pharmacy or entity or vice versa. A PBM may require a beneficiary to use a specific pharmacy or entity for a specialty drug.

A PBM that provides pharmacy benefits management services on behalf of a carrier may not reimburse a pharmacy or pharmacist for a pharmaceutical product or pharmacist service in an amount less than the PBM reimburses itself or an affiliate for providing the same product or service. This prohibition does not apply to reimbursement for specialty drugs, mail order drugs, or to a chain pharmacy with more than 15 stores or a pharmacist who is an employee of the chain pharmacy.

Carriers

A carrier may require a subscriber, member, or beneficiary to obtain a specialty drug through a specific pharmacy, including a pharmacy participating in the carrier’s provider network, if the carrier determines that the pharmacy meets its performance standards and accepts its network reimbursement fees.

Small Business Effect: Small business pharmacies likely benefit from additional reimbursement under the bill. Additionally, small business pharmacies may see an increase

in revenues due to more consumers being able to obtain specialty drugs from their pharmacies.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 876 (Delegates S. Johnson and A. Johnson) - Health and Government Operations.

Information Source(s): Department of Budget and Management; Maryland Department of Health; Maryland Insurance Administration; Department of Legislative Services

Fiscal Note History: First Reader - February 11, 2024
rh/jc

Analysis by: Ralph W. Kettell

Direct Inquiries to:
(410) 946-5510
(301) 970-5510