

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1305
Appropriations

(Delegate Rudolph)

State Utilization of Nonprofit Pharmacy Benefits Managers

This bill requires the Department of Budget and Management (DBM) to determine if it is advantageous to use a pharmacy benefits management (PBM) service that is independent from a carrier for a health or pharmacy benefit program provided by DBM or another State agency. If so, DBM or the State agency must seek bids for PBMs on a contractual basis from a nonprofit PBM entity.

Fiscal Summary

State Effect: To the extent DBM determines it is advantageous to contract with a nonprofit PBM and does so, State prescription drug expenditures could decrease.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A State agency that seeks to obtain services that are to be provided for the benefit of State employees is subject to State procurement law.

When seeking health benefit contracts for State employees and retirees, DBM may issue a request for competitive sealed proposals, which are generally used for the procurement of human, social, cultural, or education services. DBM awards the procurement contract to the responsible offeror who submits the proposal or best and final offer determined to be the most advantageous to the State considering the evaluation factors set forth in the request for proposals. Whenever a procurement officer determines that there is only one

available source for the subject of a procurement contract, the procurement officer may award the procurement contract without competition to that source.

Background: The State provides prescription drug benefits to individuals enrolled in the State Employee and Retiree Health and Welfare Benefit Plan (State plan), and to those enrolled in a variety of Medicaid programs. DBM contracts with AdvancePCS, a PBM that administers the State's carved-out drug benefit. The Department of Health and Mental Hygiene (DHMH) contracts with a third party administrator, FirstHealth, to process prescription drug claims for the Senior Prescription Drug Program and the Maryland Pharmacy Assistance Program. Medicaid managed care organizations each contract with their own PBM to provide drug coverage to their enrollees.

Currently, there are no nonprofit PBMs in the U.S. The National Legislative Association on Prescription Drug Prices is working with the Heinz Family Philanthropies to establish a nonprofit pharmacy benefits manager that will facilitate aggregating the purchasing power of states, businesses, and individuals. Currently, association membership includes Maine, Vermont, New Hampshire, Connecticut, Massachusetts, Rhode Island, New York, Pennsylvania, Hawaii, and the District of Columbia.

State Fiscal Effect: To the extent DBM determines contracting with a nonprofit PBM is advantageous and does so, State prescription drug expenditures could decrease. There are currently no nonprofit PBMs, but the National Legislative Association on Prescription Drug Prices could develop one in the near future. Projected fiscal 2005 prescription drug expenditures are \$223.7 million in the State plan and \$432.3 million in the various Medicaid programs.

State plan expenditures assume a fund mix of 60% general funds, 20% federal funds, and 20% special funds; and 20% of expenditures are reimbursable through employee contributions. Medicaid expenditures are 50% general funds, 50% federal funds.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Medicaid), Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

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lc/jr

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