

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 885

(Senator Middleton)

Finance

Health and Government Operations

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**Maintenance Drug Prescriptions - Mail Order Purchase - Study**

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This bill requires the Maryland Insurance Administration (MIA) and the Maryland Health Care Commission (MHCC), in consultation with the State Board of Pharmacy, to study: (1) the utilization of mail order service for purchasing a 90-day supply of maintenance drugs; (2) the cost savings to consumers who elect to use mail order service for purchasing such drugs; (3) the financial impact of any increased utilization of mail order service on retail pharmacies; and (4) whether consumers find it convenient to use mail order service. MIA and MHCC must report their findings to the Governor and the General Assembly by December 31, 2005.

The bill takes effect July 1, 2005.

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**Fiscal Summary**

**State Effect:** Depending on the scope of the study and the research required, MIA and MHCC special fund expenditures could increase in FY 2006 only. Any increase is expected to be minimal. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** None applicable.

**Background:** Many carriers encourage the use of mail-order prescription drug benefits because they, on average, are cheaper than filling prescriptions at a retail pharmacy. Most mail-order pharmacies dispense at larger volumes, typically a 90-day supply. Average mail-order discounts increase slightly if prescriptions are dispensed for a 90-day supply rather than for a 30-day supply. Cost savings are achieved by reducing overhead expenses associated with pharmacies.

A 2003 U.S. General Accounting Office study of the federal employee benefits plan found that prices negotiated for drugs by a pharmacy benefits manager from retail pharmacies were about 18% below the average cash price customers would pay at retail pharmacies for 14 selected brand-name drugs and 47% below the average cash price for four selected generic drugs. The average mail-order price was about 27% and 53% below the average cash price customers would pay at a retail pharmacy for the selected brand name and generic drugs, respectively.

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### **Additional Information**

**Prior Introductions:** An identical bill, SB 798 of 2004, was not reported by the Finance Committee.

**Cross File:** None.

**Information Source(s):** *Federal Employees' Health Benefits: Effects of Using Pharmacy Benefit Managers on Health Plans, Enrollees, and Pharmacies* (GAO-03-196 January 10, 2003); Department of Health and Mental Hygiene (Boards and Commissions); Maryland Insurance Administration; Department of Budget and Management (Employee Benefits Division); Department of Legislative Services

**Fiscal Note History:** First Reader - March 21, 2005  
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Analysis by: Susan D. John

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