

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 1144 (Delegate Costa)
Health and Government Operations

Pharmacy Benefits Managers - Specialty Drugs

This bill requires a pharmacy benefits manager (PBM) to obtain approval from the State Board of Pharmacy before designating certain prescription drugs as specialty drugs on a formulary.

Fiscal Summary

State Effect: Potential increase in expenditures for the State Employee and Retiree Health Insurance Plan (State plan) beginning in FY 2012 to the extent that the bill interferes with cost containment measures. The State Board of Pharmacy can grant approval using existing budgeted resources. No impact on State revenues.

Local Effect: Potential minimal impact on prescription drug spending for employee health insurance.

Small Business Effect: Potential minimal impact on prescription drug spending for employee health insurance. Potential increase in revenues for small business pharmacies that may be able to provide additional specialty prescription drugs under the bill.

Analysis

Current Law: PBMs are businesses that administer and manage prescription drug benefit plans for purchasers. PBMs must register with the Maryland Insurance Administration (MIA) prior to providing pharmacy benefits management services. The Insurance Commissioner is authorized to examine the affairs, transactions, accounts, and records of a registered PBM at the PBM's expense. PBMs are prohibited from shipping, mailing, or delivering prescription drugs or devices to a person in the State through a nonresident pharmacy unless the nonresident pharmacy holds a nonresident pharmacy permit from the board.

Background: Anecdotal evidence indicates that some PBMs place certain drugs that are otherwise obtainable from a retail pharmacy on a specialty drug formulary and require patients to obtain these drugs through a PBM-designated specialty pharmacy rather than a local retail pharmacy.

Most prescription drug coverage includes a three-tiered copayment arrangement under which enrollees pay a specific dollar amount for each prescription in a given tier of drugs (*i.e.*, generic, preferred brand-name, and nonpreferred brand-name). Recently, some insurance companies have begun offering drug plans with coinsurance under which a member pays a percentage of the drug cost rather than a fixed-dollar copayment. Other carriers have implemented a “fourth tier” for specialty drugs, which generally includes prescription medicines used to treat complex, chronic conditions. Nationally, as many as 10% of commercial health insurance plans have fourth tiers for prescription drugs.

State Fiscal Effect: According to the Department of Budget and Management (DBM), the State plan implemented a specialty drug management program in fiscal 2010. The program seeks to reduce plan costs from waste and failed treatment compliance for drugs used to treat rheumatoid arthritis, multiple sclerosis, blood disorders, cancer, hepatitis C, and osteoporosis. Annual savings from the specialty drug management program is estimated at \$832,000. DBM reports that, if the State Board of Pharmacy does not approve such drugs for the specialty drug formulary, savings for the State plan could be reduced for this as well as future cost containment measures.

Additional Information

Prior Introductions: None.

Cross File: SB 698 (Senator Klausmeier) - Finance.

Information Source(s): Department of Budget and Management, Maryland Health Insurance Plan, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

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