HB 1383

Department of Legislative Services

Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1383 (Delegate Kipke, *et al.*)
Health and Government Operations

Health Insurance - Specialty Drugs - Participating Pharmacies

This bill broadens the types of pharmacies that can be used to obtain specialty drugs by specifying that a carrier can require a covered specialty drug to be obtained through a pharmacy in the carrier's network, if the pharmacy (1) is licensed; (2) has in inventory or readily is able to obtain the covered specialty drug from the manufacturer; and (3) as under current law, accepts the carrier's reimbursement rates. The bill also alters the definition of "specialty drug" by removing the provision that a specialty drug is not typically stocked at retail pharmacies and specifying that any difficult or unusual process of delivery be documented or identified by the manufacturer of the prescription drug. These provisions do not prohibit a manufacturer from establishing a limited distribution network for one or more products.

The bill takes effect January 1, 2017, and applies to all policies, contracts, and health benefit plans issued, delivered, or renewed in the State on or after that date.

Fiscal Summary

State Effect: Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) in FY 2017 from the $125 rate and form filing fee. MIA can likely review additional filings with existing budgeted resources. No effect on the State Employee and Retiree Health and Welfare Benefits Program.

Local Effect: None.

Small Business Effect: Meaningful for small business pharmacies that provide specialty drugs under the bill.

Analysis

Current Law: Chapter 422 of 2014 prohibits carriers from imposing a copayment or coinsurance requirement on a covered specialty drug that exceeds $150 for up to a 30-day supply. This limit must be increased annually to reflect medical care inflation. A carrier may provide coverage for specialty drugs through a managed care system.

Generally, a carrier may require a covered specialty drug to be obtained through a designated pharmacy or other authorized source or a pharmacy participating in the carrier's network, if the carrier determines that pharmacy meets the carrier's performance standards and accepts the carrier's network reimbursement.

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 a difficult or unusual process of delivery to the patient in the preparation, handling, storage, inventory, or distribution of the drug or requires enhanced patient education, management, or support, beyond that required for traditional dispensing before or after administration of the drug.

Background: In its 2014 *Drug Trend Report*, Express Scripts (one of the largest pharmacy benefits managers) notes that U.S. prescription drug spending increased 13.1% in 2014, the largest annual increase since 2003. This increase was largely driven by a 30.9% increase in spending on specialty medications. Utilization of traditional medications stayed flat (-0.1%), while the use of specialty drugs increased by 5.8%. The largest factors contributing to the increased spending were the price increases for these medication categories: 6.5% for traditional drugs and 25.2% for specialty drugs. While specialty medications represent only 1% of all prescriptions nationally, these medications represented 31.8% of all 2014 drug spending, an increase from 27.7% in 2013.

Additional Information

Prior Introductions: Similar legislation was considered in the 2015 legislative session. SB 871 was heard by the Senate Finance Committee, but no further action was taken on the bill. Its cross file, HB 1140, was heard by the House Health and Government Operations Committee and was subsequently withdrawn.

Cross File: SB 1018 (Senator Pugh) - Finance.

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

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kb/ljm

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