

**BRIAN E. FROSH**  
*Attorney General*

**ELIZABETH F. HARRIS**  
*Chief Deputy Attorney General*

**CAROLYN QUATTROCKI**  
*Deputy Attorney General*

Writer's Direct Fax No.  
(410) 576-6571



**STATE OF MARYLAND**  
**OFFICE OF THE ATTORNEY GENERAL**  
**CONSUMER PROTECTION DIVISION**

**WILLIAM D. GRUHN**  
*Chief*  
Consumer Protection Division

Writer's Direct Email:  
poconnor@oag.state.md.us

Writer's Direct Dial No.  
(410) 576-6515

February 27, 2020

To: The Honorable Shane E. Pendergrass  
Chair, Health and Government Operations Committee

From: Patricia F. O'Connor, Health Education and Advocacy Unit

Re: House Bill 1150 (State Health and Welfare Benefits Program - Maryland Competitive Pharmacy Benefits Manager Marketplace Act): Support

The Office of the Attorney General's Health Education and Advocacy Unit (HEAU) supports House Bill 1150 because the bill could yield substantial savings in prescription drug spending for the State and other public entities offering health benefits to their employees. The Competitive Pharmacy Benefits Manager (PBM) Marketplace Act would inject transparency and genuine competition into the PBM marketplace where they are overdue.

The original idea underlying the Competitive PBM Marketplace Act arose in New Jersey:

When New Jersey was seeking to reduce health care costs in 2017, labor unions for state workers encouraged the legislature to use a reverse auction for the three-year PBM contract that would begin on Jan. 1, 2018. In other industries such as waste hauling and fuel buying, purchasers use reverse auctions to get bidders to compete by offering lower prices over successive rounds of bidding. ...

After analyzing the complex components of each proposal in the first round, state officials reported the lowest bid to the PBMs and asked each one to submit still lower bids in a second round. ...

During the first two years of the contract, the savings totaled about \$1

billion[.]

<https://www.managedcaremag.com/archives/2019/7/new-jersey-race-bottom-saves-billion>

By adopting the same approach as was used in New Jersey to achieve \$1 billion in savings over two years, significant savings could be achieved for the State and other public entities offering health benefits to their employees.

We urge the committee to give the Competitive PBM Marketplace Act a favorable report.

cc: Sponsors and Members of the Health and Government Operations Committee