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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 1150

State Health and Welfare Benefits Program - Maryland Competitive Pharmacy Benefits Manager Marketplace Act

Good afternoon, Chairman Pendergrass, Vice Chairman Pena-Melnyk and honorable members of the committee. Thank you for this opportunity to present HB 1150, State Health and Welfare Benefits Program – Maryland Competitive Pharmacy Benefits Manager Market Place Act. Passage of this bill would change the way that the state procures the services of a Pharmacy Benefit Manager (PBM) to deliver the best prices for pharmaceuticals to our state employee and retiree benefit system.

We have all heard from our constituents about the hardships they experience because of the rising cost of their medicines. We here in this room have heard over several years about the impact of those rising costs on overall insurance premium. In recent years, we have actively tried to manage these costs, but within the scope of knowledge and experience that we have with the drug pricing process. Each year, the complexity of that process seems to increase. There number of links in the drug pricing chain seems to increase and the intricate and complex negotiations among the parties seems incomprehensible. Each party describes them differently. It is virtually impossible to follow the money.

Last year we created the Pharmaceutical Drug Affordability Board. I continue to have great hope that this Board will help us as a state to understand these pricing processes. One of the things we charged the Board to do is to study the concept of “reverse auction” as it has operated in New Jersey over the last two years. HB 1150 accelerates and facilitates that study by enabling the state to engage in the process. In your packet you have written testimony from that Board in support of this bill. They believe that it will be an effective tool for the state to employ as it seeks to manage the drug expenses.

While the details of the reverse auctions, with its data analytics and technology platforms sounds complicated, the basic principle of the reverse auction is simple. It clearly identifies what the State needs and that is what is put out for bid. Then we let the free and competitive market work to our advantage.

New Jersey has already saved hundreds of millions of dollars. The capacity for utilization of this tool is unlimited; local governments could piggy-back onto the State’s bids; my understanding is that some large corporations already use a similar system to manage drug costs.

This is the right time for Maryland. Our current PBM contract expires at the end of this year. It is possible to fast track the process to be set up for next year. With the passage of the Board we demonstrated our willingness to be innovative and bold in tackling a very big issue; with passage of this bill we would affirm that willingness and accelerate the timeline for drug savings.

Thank you for your consideration of HB 1150 and respectfully request a favorable report.