

# **SB614:HB709 Pharmacy Benefits Managers - Drug Reim**

Uploaded by: locklair, cailey

Position: FAV

**SB614/HB709 Pharmacy Benefits Managers - Drug Reimbursement -  
Reporting Requirements  
Senate Finance Committee  
Position: SUPPORT  
February 24, 2021**

**Background:** Requiring pharmacy benefits managers to file with the Maryland Insurance Commissioner, beginning January 1, 2022, and every 3 months thereafter, a certain report of all drugs appearing on the National Average Drug Acquisition Cost list that were reimbursed during a certain period at an amount below a certain cost plus a certain fee; requiring that the report be made available to the public by the Commissioner; etc.

**Written Comments:** The Maryland Chain Drug Store Association (MACDS) supports transparency with regard to Pharmacy Benefit Manager drug reimbursements. Pharmacy has long advocated that these numbers are available to ensure fair payment, proper representation of generic and brand drugs, monitoring brands they receive the highest rebates on and rebates in general, profits made on spread pricing by charging health plans more than they reimburse pharmacies and monitoring any fluctuations. The lack of transparency is harming pharmacies and ultimately harms consumers.

It is for these reasons we urge a favorable report.

## **SB 614 Sponsor testimony**

Uploaded by: Ready, Justin

Position: FAV



THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

February 25, 2021

**Senate Bill 614 Pharmacy Benefits Managers – Drug Reimbursement – Reporting Requirements**

Senate Bill 614 would require Pharmacy Benefit Managers to report the costs of prescribed drugs to the Insurance Commissioner for all drugs that were reimbursed by PBMs to pharmacies below certain amounts. If a prescribed drug was reimbursed by the PBM at an amount below the National Average Drug Cost plus the Fee-For-Service Professional Dispensing Fee as determined by MDH, the PBM would be required to file a quarterly report setting out certain information for that drug. Among other things, the report would include the amount the pharmacy was reimbursed, the NADAC cost on the day the drug was dispensed, and whether the dispensing pharmacy was an affiliate of the PBM. The report, filed quarterly, would be available to the public.

**WHAT IS THE NEED FOR THE BILL?**

There is tremendous concern that pharmacies, particularly independent pharmacies, are not being fairly or adequately reimbursed by PBMs for the cost of filling and dispensing prescriptions. This bill will supply needed transparency to the financial transactions between PBMs and pharmacies. A pharmacy's cost for filling a prescription is dependent on 1. The cost that it pays to acquire the drug, and 2. The cost that it is reimbursed for its professional dispensing fee. This bill will allow the public to see how often, and how routinely, PBM reimbursements fail to fully reimburse a pharmacy for these two components, that is, the cost of the drug plus the fee for service professional dispensing fee. It will also allow transparency as to whether a dispensing pharmacy was an affiliate of the PBM, and whether the drug was dispensed in accordance with a government health plan. All of this information is designed to shed needed light on the pharmacy reimbursement practices of PBMs.

I respectfully request a favorable on Senate Bill 614.

# **MMCOA SB614 02 24 2021.pdf**

Uploaded by: Briemann, Jennifer

Position: UNF



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**Senate Bill 614 – Pharmacy Benefits Managers - Drug Reimbursement -  
Reporting Requirements**

**OPPOSE**

**Senate Finance Committee  
February 24, 2021**

Thank you for the opportunity to submit testimony in opposition to Senate Bill 614 – Pharmacy Benefits Managers - Drug Reimbursement - Reporting Requirements.

The Maryland Managed Care Organization Association's (MMCOA) nine member Medicaid MCOs that serve over 1.3 million Marylanders through the Medicaid HealthChoice program are committed to identifying ways to improve quality and access to care for all Medicaid participants.

The reporting of the data specified in the bill includes information from PBMs that contract with managed care organizations (MCOs). While we applaud the bill sponsor's effort to have the Maryland Insurance Administration (MIA) collect and examine data in an attempt to identify ways to potentially decrease the Medicaid pharmacy spend, the compilation of the data by the MCOs to share with the MIA is redundant, as that information is already collected and shared with the Maryland Department of Health, the MCO's regulating agency. The administrative burden that the bill's provisions impose would increase costs to the MCOs, and likely the HealthChoice program. For these reasons, MMCOA respectfully opposes SB 614 and urges an unfavorable report.

The MMCOA looks forward to continued collaboration with the State as we work to identify ways to improve access to affordable high-quality care for all Medicaid participants.

*Please contact Jennifer Briemann, Executive Director of MMCOA, with any questions regarding this testimony at [jbriemann@marylandmco.org](mailto:jbriemann@marylandmco.org).*

# **SB614\_PPMCO.Hopkins.Coble\_OPP.pdf**

Uploaded by: Coble, Annie

Position: UNF

TO: The Honorable Delores Kelley  
Chair, Senate Finance Committee

FROM: Annie Coble  
Assistant Director, State Affairs, Johns Hopkins University and Medicine

DATE: February 24, 2021

Priority Partners expresses its opposition to **Senate Bill 614 Pharmacy Benefits Managers – Drug Reimbursement – Reporting Requirements**. Priority Partners MCO (PPMCO) is the largest Medicaid managed care organization (MCO) in the State with over 324,000 members in the HealthChoice programs. Priority Partners is owned jointly by Johns Hopkins Health Care LLC and Maryland Community Health System, which consists of 7 Federally Qualified Health Centers. It has the distinction of being the only MCO with all staff and operations based in Maryland.

This bill requires pharmacy benefit managers (PBM) that contract with MCOs to provide quarterly reports to the Maryland Insurance Commission of all drugs appearing on the national average drug acquisition cost list that were reimbursed by the PBM. Priority Partners has several concerns with this legislation. The first is the administrative burden that would undoubtedly increase costs to health plans.

Secondly, the legislation requires the public disclosure of proprietary and competitive financial information at the drug level which is anti-competitive. Essentially, this would disclose to pharmacies their competitors' reimbursement rates and disclose to other PBMs each other's competitive information. This could take away the incentive for pharmacies to compete on price and quality to join networks.

MCOs already share the majority of this information with Maryland Department of Health as a part of the Medicaid program. Ideally, there should be some way for Maryland Department of Health and the Maryland Insurance Administration to transfer this data without adding tremendous burden to the MCOs. For these reasons, Priority Partners urges an unfavorable report on **Senate Bill 614 Pharmacy Benefits Managers – Drug Reimbursement – Reporting Requirements**.



## **2-SB 614- FIN- MDH- LOI.pdf**

Uploaded by: Bennardi, Maryland Department of Health /Office of Governmen

Position: INFO



*Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Dennis R. Schrader, Acting Secretary*

February 24, 2021

The Honorable Delores G. Kelley, Chair  
Senate Finance Committee  
3 East Miller Senate Office Building  
Annapolis, MD 21401-1991

**RE: SB 614 – Pharmacy Benefits Managers – Drug Reimbursement – Reporting Requirements – Letter of Information**

Dear Chair Kelley and Committee Members:

The Department of Health (MDH) respectfully submits this letter of information on SB 614 – Pharmacy Benefits Managers – Drug Reimbursement – Reporting Requirements.

The bill requires pharmaceutical benefits managers (PBMs), including those under contract with managed care organizations, to file quarterly reports (beginning January 1, 2022) with the Maryland Insurance Administration on all drugs appearing on the National Average Drug Acquisition Cost (NADAC) list that were reimbursed by the PBM at an amount below the NADAC price plus the fee-for-service dispensing fee. The Insurance Commissioner is required to make the reports available to the public.

The committee should be aware that the reporting requirements in SB 614 would have a substantial fiscal impact on MDH and undermine the marketplace. It also reverses the General Assembly's previous policy direction<sup>1</sup> to MDH to have the managed care organizations (MCOs) administer the Medicaid pharmacy benefit to ensure access to prescription drugs by Marylanders and to manage skyrocketing drug costs.

The bill would require PBMs to publicly release information that is considered proprietary. Mandating the public disclosure of this pricing information has the potential to substantially disrupt the competitive nature of the marketplace, driving up costs. Absent an incentive to compete, PBMs may consolidate, reducing prices in the short term, but ultimately resulting in higher costs in absence of any competition. Further, the incentive for pharmacies to compete on price and improve quality in order to join a specific network would also be eliminated, again driving higher costs, and potentially reducing quality. To the extent that costs to the MCOs for

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<sup>1</sup> HB 1290 (2015); report available at:

<https://mmcp.health.maryland.gov/Documents/JCRs/MCopharmacynetworksJCRfinal12-15.pdf>

pharmacy benefits increase, these costs will be passed on to MDH and require payment of higher capitation rates to the MCOs.

Further, producing these types of reports also poses a substantial administrative burden on the PBMs that contract with the MCOs. The cost of producing these reports will be passed on to the MCOs and in turn passed on to the Medicaid Assistance Program. Such increases will also create a fiscal impact for MDH requiring the State to increase capitation rates to the MCOs.

Finally, MDH notes that driving the MCO marketplace to reimburse in a manner identical to the Medicaid fee-for-service (FFS) program, which pays for drugs based on the NADAC rate, would have a substantial fiscal impact on MDH estimated to exceed \$94 million annually.

I hope this information is useful. If you would like to discuss this further, please do not hesitate to contact me at [webster.ye@maryland.gov](mailto:webster.ye@maryland.gov) / (410) 260-3190 or Heather Shek, Director of Governmental Affairs at [heather.shek@maryland.gov](mailto:heather.shek@maryland.gov) and at the same phone number.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Webster Ye', is positioned below the 'Sincerely,' text.

Webster Ye  
Assistant Secretary, Health Policy