



Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc
2101 East Jefferson Street
Rockville, Maryland 20852

February 24, 2021

The Honorable Delores G. Kelley
Senate Finance Committee
3 East, Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

RE: SB 615 - Oppose

Dear Chair Kelley and Members of the Committee:

Kaiser Permanente respectfully opposed SB 615, "Pharmacy Benefit Managers, Prohibited Actions.

Kaiser Permanente is the largest private integrated health care delivery system in the United States, delivering health care to over 12 million members in eight states and the District of Columbia.¹ Kaiser Permanente of the Mid-Atlantic States, which operates in Maryland, provides and coordinates complete health care services for approximately 775,000 members. In Maryland, we deliver care to over 450,000 members.

Kaiser Permanente opposes, SB 615, Pharmacy Benefit Managers – Prohibited Actions. This bill prohibits a pharmacy benefits manager (PBM) from engaging in any practice that bases reimbursement for a prescription drug on patient outcomes, scores, or metrics and engaging in the practice of spread pricing. Further, pharmacy benefits managers are prohibited from denying any pharmacy the right to participate or to take more than 30 days to review the application of a pharmacy or pharmacist to participate in a policy or contract. This bill prohibits a pharmacy benefits manager from requiring a beneficiary to use a mail order pharmacy to fill a prescription.

The practice of spread pricing, as defined in this bill, prohibits a PBM from developing a prescription drug pricing model that charges the purchaser a contracted price that differs from the amount that is directly or indirectly paid by the pharmacy for the drug dispensed. The downstream fiscal impact in response to the recent prohibition on spread pricing in Maryland Medicaid resulted in higher administrative fees allowing PBMs to further shift the uncertainty in drug costs to payers. It also triggered an increased rate in internal procedural costs due to contract renegotiations. When payers have the opportunity to negotiate payments arrangement with PBMs, predictable compensation models materialize allowing plans to maintain patient's expectations for their premiums and other cost-sharing arrangements.

¹ Kaiser Permanente comprises Kaiser Foundation Health Plan, Inc., the nation's largest not-for-profit health plan, and its health plan subsidiaries outside California and Hawaii; the not-for-profit Kaiser Foundation Hospitals, which operates 39 hospitals and over 650 other clinical facilities; and the Permanente Medical Groups, self-governed physician group practices that exclusively contract with Kaiser Foundation Health Plan and its health plan subsidiaries to meet the health needs of Kaiser Permanente's members.

Under spread pricing arrangements, the difference between the amounts paid by the PBM to the carrier and the amounts paid to the pharmacy is retained by the PBMs. Payments to pharmacies are impacted by various fees and adjustments, which are established and imposed by PBMs, have the potential to increase the level of spread. Ensuring the appropriate financial and reporting provisions establish requirements over dispensing fees and allowable adjustments are key areas of focus that would best inform effective strategies to address variations in pricing methodologies.

With the increased emphasis on the utilization of telehealth services and as KP develops expanded opportunities to access care, we would like to continue to provide easy and convenient options for patients to receive prescriptions when an on-site pharmacy is not available. Most Kaiser Permanente members *voluntarily* choose to have their prescriptions mailed, providing them with an invaluable service. During an appointment, our physicians can electronically send prescription requests directly to our mail order pharmacy. When engaging in remote delivery of care, the most affordable option may be prescription home delivery. We have found mail order services decrease medication non-adherence rates and the integration of convenient care serves a critical benefit to our members

A vital component of our commitment to providing Kaiser Permanente members with safe, accessible, and affordable care is the availability of our mail order pharmacy. Year after year, Kaiser Permanente's mail-order pharmacy has ranked highest overall in the nation for customer satisfaction by J.D. Power. Over that time, J.D. Power considers our ordering process, prescription delivery, cost completeness and price sensitivity, and interaction with the pharmacist and non-pharmacist staff. With on-time delivery a key driver of overall customer satisfaction for mail order use, the turnaround from the time our mail order pharmacy receives a refill request to when the filled prescription is received by our members is 2.5 days. We are exploring options to expedite delivery expectations even more. Our pharmacists are available 24/7 to counsel and answer members' questions about their prescriptions.

For these reasons, Kaiser Permanente respectfully opposes SB 615 and strongly urges an unfavorable Committee report.

Thank you for the opportunity to comment. Please feel free to contact Allison Taylor at Allison.W.Taylor@kp.org or (202) 924-7496 with questions.

Sincerely,



Allison Taylor
Director of Government Relations
Kaiser Foundation Health Plan of Mid-Atlantic States, Inc.