



Healthcare Distribution Alliance

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March 16, 2022

Senator Delores Kelley, Chair
CC: Senate Finance Committee
Miller Senate Office Building 3 East
Annapolis, Maryland 21401

Re: Healthcare Distribution Alliance (HDA) Support for SB 823

Dear Chair Kelley, Vice Chair Feldman, and Honorable Members of the Finance Committee:

My name is Matthew DiLoreto and I am the Senior Vice President of State Government Affairs for the Healthcare Distribution Alliance (HDA), the national trade association representing the healthcare wholesale distribution industry. I am here today to voice HDA's strong support for Senate Bill (SB) 823, legislation that represents a technical correction to a previously enacted law aimed at greater pharmaceutical supply chain oversight, regulation and transparency. HDA respectfully requests Finance Committee members support of this legislation and we would like to thank the bill sponsors (Senator Kramer / Delegate Kelly) for their leadership and support.

HDA members serve as the vital link between pharmaceutical manufacturers and nearly 180,000 pharmacies, hospitals, long-term care facilities, clinics, and other points of care nationwide. A limited number of HDA member companies also provide additional administrative services to their independent pharmacy customers that voluntarily choose to utilize these options. These services are referred to as Pharmacy Service Administrative Organizations (PSAO). PSAOs are voluntary, administrative entities that assist independent pharmacies with back-office tasks and represent their interests to insurance plans and payers, such as Pharmacy Benefit Managers (PBMs). PSAOs are paid a flat monthly fee for these services. These services include audit support, claims reconciliation, evaluating, executing and navigating contracts – and more. Put simply, PSAOs exist to support pharmacy owners with their “back of office” duties, as these small business owners do not always have such in house expertise.

Although some larger HDA members offer PSAO services, it is important to understand that they are not tied to the larger distribution sector operations and they are in no way required to offer services to patients. Conflating the size of a distributor to its PSAO influence is an “apple to oranges” comparison. Just because the parent company may be a larger company, does not increase the impact of the PSAO services in the benefit space.

It's important to note that the technical changes offered in SB823 will still require the same registration of PSAOs and the same ultimate disclosure of contracts to the MIA that were mandated by the 2020 law. Additionally, pharmacies will still be able to obtain a copy of these executed contracts from their PSAOs (either electronically or hard copy). SB 823 targets a specific, technical issue within the Maryland statute. The 2020 law essentially required that PSAOs disclose forms that originate with the PBM, not the PSAO. This provision has proven to be administratively impossible for the PSAOs to comply with, ultimately leading one PSAO to pull out of Maryland entirely.

HDA appreciates the bill sponsors, as well as the MIA staff, and their willingness to understand the implementation issues with the current law. We appreciate the efforts to rectify these issues with the language being proposed today in SB 823 and thank all those here today voicing support for this legislation. Please contact me at mdiloreto@hda.org with any questions.

Sincerely,

Matt DiLoreto
Senior Vice President- State Government Affairs & Alliance Development
Healthcare Distribution Alliance