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March 22, 2022

The Honorable Delores Kelley
Chair, Senate Finance Committee
3 East
Miller Senate Office Building
Annapolis, Maryland 21401

Senate Bill 1004 - Health Insurance - Pharmacy Benefits Managers - Reimbursement Amounts

Dear Chairman Kelley,

The League of Life and Health Insurers of Maryland, Inc. respectfully **opposes** Senate Bill 1004 – Health Insurance - Pharmacy Benefits Managers - Reimbursement Amounts and urges the committee to give the bill an unfavorable report.

Senate Bill 1004 prohibits a Pharmacy Benefits Manager (PBM) from reimbursing a pharmacy for a prescription drug or pharmacy service in an amount less than the National Average Drug Acquisition Cost (NADAC) plus 10% of that cost. The Insurance Commissioner may also require that a PBM pay a fee in addition to the minimum reimbursement fee.

NADAC has several fundamental flaws that should preclude its use as a basis for pharmacy reimbursement arrangements in both public and private health care coverage settings. The survey responses from retail pharmacies that make up the survey are *strictly voluntary* and CMS sees only an 18-24% response rate. It is important to remember that only a small group of respondents determine the NADAC benchmark. Additionally, the survey over represents smaller pharmacies who do not have the same purchasing power as large chains. These larger chains are better able to leverage their purchasing power with wholesale drug distributors to obtain lower drug prices. This means that the average drug acquisition cost determined by the NADAC survey is artificially high. Setting reimbursement at the NADAC benchmark results in an increased benefit for large pharmacy chains, at the cost of healthcare consumers.

Imposing NADAC in health care coverage settings effectively removes the ability of health plans to harness the power of competition for the benefit of patients, all to exempt pharmacies from the same competition every other stakeholder/participant in the health care industry faces. The proposed reimbursement of NADAC plus 10% in Senate Bill 1004 will only add to healthcare expenditures and cost consumers in the form of drug prices and premiums. Additionally, the bill will not create any significant benefit to independent pharmacies in the long term, as large chains will see the greatest rewards.

NADAC pricing increases costs for prescription drug coverage. Health plan sponsors and PBMs are committed to deploying value-based benefit designs that drive down costs while still providing the most effective and highest quality care to all patients. For these reasons, the League urges the committee to give Senate Bill 1004 an unfavorable report.

Very truly yours,

A handwritten signature in black ink, appearing to read "Matthew Celentano", with a long horizontal flourish extending to the right.

Matthew Celentano
Executive Director

cc: Members, Senate Finance Committee