



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

March 10, 2022

The Honorable Shane E. Pendergrass
Health and Government Operations Committee
House Office Building Room 240
6 Bladen Street
Annapolis, Maryland 21401

RE: HB 1274 – Requesting Amendment

Dear Chair Pendergrass and Members of the Committee:

Kaiser Permanente respectfully requests an amendment to HB 1274, Pharmacy Benefits Managers and Purchasers - Beneficiary Choice of Pharmacy.

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 800,000 members. In Maryland, we deliver care to over 460,000 members.

Kaiser Permanente is seeking a clarifying amendment that the definition of “purchaser” in section 15-1601 of the Insurance Article does not apply to a nonprofit group-model HMO that provides pharmacy services solely to members of the HMO furnished through the internal pharmacy operations of the HMO. This clarification would align with similar exemptions in the definitions of “pharmacy benefits management services” and “pharmacy services administrative organization.”

Kaiser Permanente’s approach to prescription drugs differs substantially from other carriers. Our pharmacist contracting team works directly with drug manufacturers to negotiate drug prices – rather than using a pharmacy benefits manager for these purposes. Our contracting efforts provide members with the best possible value for their dollar, especially when competing medications that perform similarly are available. Our pharmacy contracting team actively seeks to negotiate contracts prior to generic drug availability to ensure optimal access for our members to new generic drugs.

As defined in the Insurance Article, “purchaser” means “a person that offers a plan or program in the State...that...enters into an agreement with a pharmacy benefits manager for the provision of pharmacy benefits management services.” Since Kaiser Permanente does not use a pharmacy

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.

benefits manager for most traditional pharmacy benefit functions, we believe that this definition would not generally apply to an entity like ours. However, we would like the clarifying amendment to make that explicit.

With this amendment, Kaiser Permanente would be neutral on HB 1274.

Thank you for the opportunity to comment. Please feel free to contact me 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.

AMENDMENT TO HOUSE BILL 1274
(First Reading File Bill)

On page 1, after line 16, insert:

15-1601.

(s)(1) "Purchaser" means a person that offers a plan or program in the State, including the State Employee and Retiree Health and Welfare Benefits Program, that:

- (i) provides prescription drug coverage or benefits in the State; and
- (ii) enters into an agreement with a pharmacy benefits manager for the provision of pharmacy benefits management services.

(2) "PURCHASER" DOES NOT INCLUDE A NONPROFIT HEALTH MAINTENANCE ORGANIZATION THAT:

- (I) OPERATES AS A GROUP MODEL;
- (II) PROVIDES SERVICES SOLELY TO A MEMBER OR PATIENT OF THE NONPROFIT HEALTH MAINTENANCE ORGANIZATION; AND
- (III) FURNISHES SERVICES THROUGH THE INTERNAL PHARMACY OPERATIONS OF THE NONPROFIT HEALTH MAINTENANCE ORGANIZATION.