

March 10, 2022

Delegate Shane Pendergrass, Chair
CC: House Health and Government Operations Committee
House Office Building Room 241
Annapolis, Maryland 21401

Re: Healthcare Distribution Alliance (HDA) Support for HB 973

Dear Chair Pendergrass and Members of the House Health and Government Operations Committee:

On behalf of the Healthcare Distribution Alliance (HDA), the national trade association representing primary healthcare distributors, I am writing to express our strong support for House Bill (**HB**) **973**. HB 973 represents a necessary technical correction to Maryland statute that more appropriately allows the Maryland Insurance Administration to oversee the role of pharmacy service administration organizations (PSAOs) in the state.

HDA members are the logistics providers within the healthcare supply chain – the vital link between the nation’s pharmaceutical manufacturers and more than 180,000 pharmacies and other healthcare settings nationwide. As part of managing the delivery logistics of healthcare products to dispensing and administration locations, some of our members offer PSAO services to their independent community pharmacies. PSAO businesses act as the “back-office staff” to independent pharmacies who, unlike large chain pharmacies, do not have the resources to handle the complex administrative red tape and business management duties. For example, PSAOs assist with managing contracts with pharmacy benefits managers (PBMs), management of claims processing, assistance with insurer/PBM auditing responsibilities and more. They offer all these services at a reasonable, transparent fee and are not involved in a patient’s benefit design or medication costs. PSAOs are administratively focused and essential for independent pharmacies in Maryland to remain open and serve communities.

In 2020, HB 978 was passed. After the bill went into effect in the summer of 2021, it quickly became apparent that it conflated some of the responsibilities of PSAOs and PBMs, creating logistical burdens on Maryland PSAOs that they simply cannot meet. HB 973 corrects the most pressing of these issues with a simple technical change: moving the responsibility of reporting contracts to the Maryland Insurance Administration (MIA) from PSAOs to PBMs, since PBMs create, amend and manage these contracts. Since this fix will not change the information that the MIA ultimately receives, the MIA has not expressed concern regarding this change.

We are grateful to Delegate Kelly for sponsoring this bill, and for the support HB 973 has received so far. We respectfully request that the Committee favorably advance this legislation as quickly as possible. Passing the bill before the end of session will ensure that PSAOs can continue providing the essential services to independent pharmacies that allow these small businesses to remain open. Thank you for your consideration, and please contact me at kmemphis@hda.org with any questions.

Sincerely,

Kelly Memphis
Director, State Government Affairs
Healthcare Distribution Alliance