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Health and Government Operations Committee

Subcommittees

Government Operations and Estates and Trusts

Insurance and Pharmaceuticals

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March 10, 2022
Support of HB 1015 – Pharmacy Benefits Managers - Prohibitions Related to Reimbursement and Use of Specific Pharmacy Requirement – Application

The Honorable Shane Pendergrass, Chair
Health and Government Operations Committee
Maryland House of Delegates
6 Bladen Street, Room 241
Annapolis, MD 21401

Chair Pendergrass, Vice-Chair Pena-Melnyk, and Esteemed Members of Health and Government Operations Committee:

HB 1015 seeks to allow patients with a prescription to utilize the pharmacy or pharmacist of their choice. Currently, Pharmacy Benefit Managers (PBMs) can require a patient to use a specific pharmacy or pharmacist when prescribing a specialty drug. Additionally, a PBM may not require that a beneficiary use a specific pharmacy to fill a prescription if the PBM has an ownership interest in the pharmacy or if the pharmacy has an ownership interest in the PBM or corporate affiliate.

As the cost of perscription drugs has exploded, insurance companies have increasingly relied on PBMs to control and reduce their liabilities. As third-party negotiators, many of their business practices are opaque, so PBMs haven't always disclosed rebates, discounts, itemized billing statements, or the percentage of savings passed on to insurers. Pharmacy Benefit Managers earn profits primarily through administrative fees charged for their services, through spread pricing (the difference between what is paid to pharmacies and the negotiated payment from health plans), and shared savings where the PBM keeps part of the rebates or discounts negotiated with drug manufacturers. These practices have made PBM's particularly prone to practices that place profits above patients.

According to the University of Michigan Health, "specialty medications are used to treat patients with complex and/or rare diseases; have special dosage, storage, handling, and administration requirements; and require high touch patient care and monitoring services (e.g., transplant, oncology, MS, hepatitis)." Specialty drugs are used for patients with severe and potentially chronic diseases and disorders, making users some of the most vulnerable populations in our community.

This forced patronage of certain pharamicies is wrong for four reasons. First, and most critical, the patient is forced to utilize a pharmacy that they may be unfamiliar with or located in an area not

convenient for their daily lives. Individuals forced to use hand-selected pharmacies can find their everyday routine severely altered. They have to travel further distances to obtain their life-saving treatment when alternatives may be closer and more convenient. While struggling with the daily treatment routine, lack of choice adds to this burden.

Secondly, PBMs and pharmacies could represent an inherent conflict by forcing patients to utilize their stores. For example, suppose the same parent company owns the PBM and the pharmacy. In that case, this creates an apparent conflict of interest, placing profit margins by monopolizing the market over the needs of a patient's healthcare treatment.

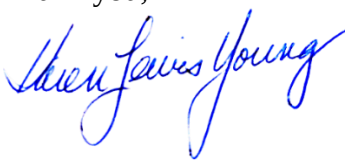
Thirdly, separating the issue of PBMs and pharmacies with their parent companies, an additional conflict arises regarding the creation and implementation of favored pharmacies or pharmacists. Instead of allowing patients to choose their prescription provider, the PBM uses internal policies to forcibly coerce patients in need of life-saving treatment to their list of preferred partners. Patient choice is wholly removed.

Finally, there is a fairness issue between insurance providers that use PBMs and those who do not. Most insurance beneficiaries do not select their insurance provider based on whether they utilize a PBM in their model. However, based on which insurance provider a user signs up with, the patient can end up having universal access to their choice in pharmacies and pharmacists or potentially a strict list of only a few pharmacies. Because insurance providers who do not utilize PBMs keep accessibility open, it is only fair to have the exact requirement for insurance providers who do use PBMs.

I am asking this committee to review whether decreasing choice for certain patients receiving life-saving specialty drug treatment plans is right. I believe we should be doing everything within our power to ensure that people struggling with a cancer diagnosis, multiple sclerosis, hepatitis, transplants, or rheumatology can quickly and effectively obtain their medicine.

I ask for a favorable report.

Thank you,



Delegate Karen Lewis Young