



Testimony offered on behalf of:
EPIC PHARMACIES, INC.

IN SUPPORT OF:
**HB0382 – Pharmacy Benefits Managers –
 Medical Assistance Program and Pharmacy Benefit Managers**

SENATE FINANCE COMMITTEE
Hearing: 3/29/2023 at 1:00 PM

EPIC Pharmacies, Inc. **SUPPORTS HB0382 – Pharmacy Benefits Managers – Medical Assistance Program and Pharmacy Benefits Managers, as amended in the House, without further amendments.**

The Short Version: The States surrounding Maryland have realized tremendous prescription cost savings moving to a Managed Care Organization (MCO) payment model that has the same pharmacy payment model as Fee-for-Service Medicaid (NADAC + \$10.67). Because the term “cost” has many different versions and meanings, the State of Maryland fiscal and policy note writers have had widely varying estimates of how much it would cost the State to pay Maryland Pharmacies what the Maryland Department of Health (MDH) and the Centers for Medicare & Medicaid Services (CMS) has determined to be the pharmacy’s breakeven cost to dispense medications. **HB0382** as amended in the house, will definitively determine the cost or savings related to paying Maryland pharmacies fairly, and finally put this years’ long debate to rest.

The Long Version: PBMs use different contract terms for their retail pharmacy network and their payer contracts to perpetuate a falsehood of tremendous prescription savings for payers. PBMs barely pay pharmacies above their acquisition cost of procuring medications by basing payments on the Maximum Allowable Cost (MAC) lists where the PBM individually and arbitrarily lowballs the amount that they reimburse for generics. PBM’s base their payer contracts off a highly inflated Average Wholesale Price (AWP) metric. So, the “cost” quoted the payer is highly inflated and the “cost” paid to the pharmacy barely covers the pharmacies acquisition cost.

The multiple formulae that the PBM uses to determine “cost” make any Fiscal and Policy Note speculative and indeterminate at best, because the fiscal note writer, nor agencies providing input, are not privy to the multitude of cost formulas used by the PBMs for different stakeholders.

As an example, the generic medication, **Bactrim** at Mt. Vernon Pharmacy over the last 6 month:

- Average amount paid to pharmacy per Rx: **\$1.75**
- Actual Pharmacy Acquisition Cost: **\$0.52**
- AWP (the metric PBMs used to bill payers for the claim): **\$28.69**
- National Average Drug Acquisition Cost (NADAC): **\$1.76**
- *It costs the pharmacy about **\$10.67** in fixed costs to dispense a prescription.*

The National Average Drug Acquisition Cost (NADAC) was developed by the Federal Centers for Medicare and Medicaid Services (CMS) and the pricing figures are transparent and nationally recognized and published, making deceptive and deceitful PBM pricing models more challenging for them. Because the calculation is made by surveying invoice prices from retail pharmacies nationally; chain pharmacies like CVS and Walgreens have outsized input on the NADAC average and drive this metric below costs that independent pharmacies can get because of the chain pharmacy's massive buying power. The notion that independent pharmacies can manipulate this system is a falsehood and is antithetical to the mathematical laws of averages.

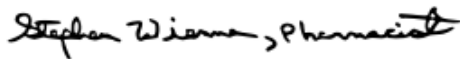
Mandating the same formula used in Medicaid Fee-for-Service of NADAC + \$10.67 will pay a reasonable fee to pharmacies for dispensing prescriptions, bring transparency to the prescription pricing system, and lower cost for payers because they will be paying for claims based on a transparent and verifiable metric as opposed to highly inflated Average Wholesale Price (AWP) metrics that have no basis in pricing reality.

As an aside, Mark Cuban's CostPlus Drug Company charges the "Actual Cost of the Medication" + 15% + \$8.00." This rate, will in most cases, exceed our proposal of "NADAC + \$10.67 rate." (Reference: <https://accessiblemeds.org/sites/default/files/2023-02/AAM-Mark-Cuban-Access-02-14-23.pdf>)

EPIC Pharmacies thanks the sponsors, Delegate Nicholas Kipke, et.al., and respectfully requests the Committee's **FAVORABLE SUPPORT FOR HB0382, as amended in the House, without further amendments.**

Should the Committee require any additional information, please contact me or Dennis F. Rasmussen, dfr@rasmussengrp.net or 410-821-4445.

Respectfully,



Steve Wiener, RPh
EPIC Legislative Committee
Mt. Vernon Pharmacy and Mt. Vernon Pharmacy at Fallsway
mtvernonpharmacy@gmail.com – 410-207-3052