



Testimony offered on behalf of:
EPIC PHARMACIES, INC.

IN SUPPORT OF:

SB 438 – Pharmacy Benefits Administration - Maryland Medical Assistance Program and Pharmacy Benefits Managers

Hearing 2/12 at 1:00PM

EPIC Pharmacies Supports SB 438 – Pharmacy Benefits Administration - Maryland Medical Assistance Program and Pharmacy Benefits Managers.

To continue to provide services to the citizens of Maryland, EPIC Pharmacies believes it is essential to have a fair and transparent pricing structure for Medicaid Managed Care Organizations (MCO's). The current pricing structure unfairly allows PBMs to reimburse the majority of MD MCO prescription claims below the cost retail pharmacies must pay to acquire the medication. **In 2024, 57.2% of the prescriptions I filled for MD Medicaid MCOs were paid below my cost for the drug and 92.9% were paid below my cost to dispense.** Medicaid Fee for Service (FFS) on the other hand, is federally obligated to survey and evaluate the prescription market in Maryland, and to reimburse pharmacies based upon the actual cost to acquire and dispense those medications. This has been accomplished by an independent accounting firm who continuously surveys the actual medication costs from real invoices to publish the National Average Drug Acquisition Cost or NADAC. This acquisition price and the Maryland survey of actual dispensing costs, yields a break even reimbursement that is much more fair than the current MCO payments. Both NADAC and the MD FFS dispensing fee (currently \$10.67) are based in reality and are not beholden to generating profit for PBM executives or stockholders.

Pharmacies cannot continue to provide uncompensated care to the patients within these Medicaid MCO plans. Last year my small pharmacy dispensed 3664 prescriptions to patients from five Maryland Medicaid MCO plans. We were reimbursed a total of \$191,133.68 for those claims which sounds like a lot until you consider our cost to provide those prescriptions and accompanying unfunded services was \$217,562.66, **resulting in a loss to the pharmacy of \$26,428.98 for 2024!** Why should community pharmacies subsidize the state of Maryland's Medicaid MCO plans? I can tell you that many like me are actively looking for ways to stop bearing the burden of donating these resources to the state. We have decreased hours of operation, staffing levels, and limited our inventory which have all decreased the service we provide to our community. This is happening across the state in independent and chain pharmacies. There is one 3 letter chain that doesn't even allow patients to speak directly with a staff member at their local pharmacy any longer to cut costs. If we don't find a way to pay for prescriptions fairly, we will continue to see a decrease in pharmacy services to our communities.

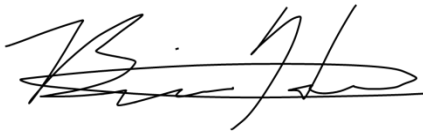
We had high hopes for the MCO study that was commissioned by legislation in 2023 and was to be completed in October of last year. When the study came out in December, we were disappointed by the failure of the department to make any recommendations or even meet the charges of the study. There was little transparency

in the study design and we are still not sure if the PBM owned pharmacy claims for expensive specialty drugs filled through mail order were even included in the calculations. While not addressing all of the actual study charges, they were happy to look at 2 years of pharmacy opening and closing data during the pandemic to imply that pharmacies are healthy and being paid fairly. The reality is that, over the last decade, we have seen a loss of independent pharmacies and chain pharmacies in the state of MD. There are now fewer chains and independent pharmacies in MD communities. Industry experts believe that this trend will continue and there will be more pharmacy closures in 2025. You don't have to search very hard to find chain closure notifications and independents are quietly disappearing in your neighborhoods. These low Medicaid MCO reimbursements certainly play a significant role in those decisions for corporations and independent owners.

When the Maryland Medicaid Fee for Service program converted from AWP based pricing to NADAC based pricing, the FFS Division Chief told stake holders that NADAC pricing would more equitably spread State of Maryland funding to all stakeholders rather than the previous system, where a few stakeholders had outsized gains to the detriment of the others. We could not agree with him more. That conversion in price methodology was considered net neutral for MD and we believe that if done correctly, this change in the MCO program could also be neutral to the State budget contrary to the findings of a failed MCO study.

As such, EPIC Pharmacies recommends a favorable report on HB 438 because we need your help.

Thank you,

A handwritten signature in black ink, appearing to read 'Brian M. Hose', with a stylized flourish at the end.

Brian M. Hose, PharmD
CEO
EPIC PharmPAC Chairman
brian.hose@gmail.com