



Date: February 12, 2025

To: The Honorable Pamela Beidle, Chair, Senate Finance Committee

From: Aliyah N. Horton, FASAE, CAE, Executive Director, 240-688-7808

Cc: Members, Senate Finance Committee

Re: FAVORABLE – SB438 – Pharmacy Benefits Administration - Maryland Medical Assistance Program and Pharmacy Benefits Managers

The Maryland Pharmacists Association (MPhA) and the Maryland Pharmacy Coalition (MPC) support a favorable report of **SB 438 – Pharmacy Benefits Administration - Maryland Medical Assistance Program and Pharmacy Benefits Managers**. At the core, we must restore fairness to a system that is currently rigged in favor of pharmacy benefit managers (PBMs) that profit at the expense of patients, pharmacies and payers.

According, to the Maryland Board of Pharmacy we have experienced a net 2% decrease in pharmacies each year over the last two fiscal years. Not addressing a fair payment model for pharmacies will continue to exacerbate growing pharmacy and healthcare deserts in Maryland.

The bill calls for pharmacies to be paid for the cost of the medications they dispense, and the time used for that process - based on REAL TRANSPARENT data – the National Average Drug Acquisition Cost (NADAC) plus a dispensing fee based on the Department of Health's cost of dispensing survey. The payment model is inherently more transparent than the current system. It ties payments directly to drug acquisition costs rather than secret PBM calculations. It is not a money-maker for pharmacies but creates a break-even sustainable option in a system that is designed to put non-PBM affiliated pharmacies out of business.

Despite its own data identifying the actual cost of dispensing medications, **the State of Maryland paid an average professional dispensing fee on each MCO pharmacy claim an average of 67 cents for CY 2021 and 59 cents for CY2022. The state, based on its PBM's administration of its pharmacy benefit, underpaid pharmacies approximately \$78.2 million dollars per year.**

In 2019 due to pharmacy community advocacy the Department of Health identified that PBMs were keeping approximately \$72 million in spread pricing. Spread pricing is the difference between how much a PBM reimburses the pharmacy for a drug and the higher price they charge the plan (or state) for the same prescription.

The state subsequently eliminated spread pricing and did nothing to address the under-reimbursement gap for pharmacies. As a result, pharmacies continue to close and PBMs continue to extract excessive profits from the system.

The committee has already received the FTC reports that have shown the massive profits being raked in by PBMs from spread pricing, shortchanging of pharmacy reimbursements, DIR fees, claw backs, patient steering, and markups on specialty drugs. These issues will not go away unless there is a legislative change.

This payment model is not put on any other healthcare provider. Other providers have options to cap the number of Medicaid patients they serve and even opt-out of individual plans. Pharmacy contracts do not allow that option – they are either in or out.

Pharmacies provide a safe space for pharmacists, as accessible health care providers, to serve their communities. They are also businesses that statutorily cannot operate like any other. They are not allowed to:

- pick and choose customers
- decide whether to take a contract or not
- refuse to dispense a medication if they cannot cover costs; or
- require a Medicaid patient to pay if they do not have the money.

The biggest threat to pharmacy access is the unchecked power of PBMs. The General Assembly must pass SB 438 to ensure

- patients can access medications in their communities;
- transparency and predictable drug pricing and services for pharmacies; and
- sustainable pharmacy operations

MPhA and MPC urge a FAVORABLE report on SB 438.

MARYLAND PHARMACISTS ASSOCIATION - Founded in 1882, MPhA is the only state-wide professional society representing all practicing pharmacists, pharmacy technicians and student pharmacists in Maryland. Our mission is to strengthen the profession of pharmacy, advocate for all Maryland pharmacists and promote excellence in pharmacy practice.

MARYLAND PHARMACY COALITION

Full Members

- Maryland Pharmacists Association
- American Society of Consultant Pharmacists – Maryland Chapter
- Maryland Pharmaceutical Society
- Maryland Society of Health System Pharmacists
- University of Maryland Baltimore School of Pharmacy Student Government Association
- University of Maryland Eastern Shore School of Pharmacy Student Government Association
- Notre Dame of Maryland University School of Pharmacy Student Government Association

Affiliate Members

- University of Maryland Baltimore School of Pharmacy
- University of Maryland Eastern Shore School of Pharmacy
- Notre Dame of Maryland University School of Pharmacy
- Maryland Association of Chain Drug Stores