



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

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SENATE BILL 438 Pharmacy Benefits Administration - Maryland Medical Assistance Program and Pharmacy Benefits Managers

STATEMENT OF INFORMATION

DATE: February 12, 2025

COMMITTEE: Finance

SUMMARY OF BILL: Senate Bill 438 seeks to change the reimbursement level to retail pharmacies from average wholesale price (AWP)/maximum allowable cost (MAC) pricing to the National Average Drug Acquisition Cost (NADAC) plus a dispensing fee determined in accordance with the most recent in-state cost-of-dispensing survey.

EXPLANATION: The Secretary of Budget and Management (DBM) has broad authority for the administration of the State Employee and Retiree Health and Welfare Benefits Program (the Program) and DBM's Office of Personnel Services and Benefits, Employee Benefits Division (EBD), administers the medical and prescription drug benefits coverage for State employees, pre-Medicare retirees, and their dependents.

A change from AWP/MAC to NADAC would be a major shift in the reimbursement level for the Program, requiring a full analysis.

The Program is impacted by the NADAC reimbursement floor plus dispensing fee. The Program has negotiated a dispensing fee of \$0.35 per script for the active and Pre-Medicare retiree populations respectively. In the calendar year 2024, our members filled nearly 2.1 million prescriptions by 165k+ active employees, Pre-Medicare retirees, and their dependents.

Provisions of Senate Bill 438 include an exception to exclude; (I) a pharmacy owned by or under the same corporate affiliation, as a pharmacy benefit manager; or (II) a mail order pharmacy. However, because the Program transitioned to a new Pharmacy Benefit Manager (PBM) as of January 1, 2025, we would expect nearly 100% of retail prescriptions filled by active employees and their dependents to be subject to Senate Bill 438.

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If enacted, provisions outlined above are expected to increase the Program's active employee cost by approximately \$40 million in the first year. Future years would be increased by expected trends. Rebate impact is not included in this estimate.

Given the increased cost to the State's Program, Senate Bill 438 would require additional funding and increased employee/retiree contributions.

**For additional information, contact Dana Phillips at
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