



Committee: Senate Finance

Bill Number: Senate Bill 438 - Pharmacy Benefits Administration - Maryland Medical Assistance Program and Pharmacy Benefits Managers

Hearing Date: February 12, 2025

Position: Support

The Independent Pharmacies of Maryland (IPMD) support *Senate Bill 438 - Pharmacy Benefits Administration - Maryland Medical Assistance Program and Pharmacy Benefits Managers*. This bill would require minimum reimbursement levels to certain pharmacies under Medicaid at least equal to the National Average Drug Acquisition Cost (NADAC) acquisition cost of the drug plus a professional dispensing fee determined in accordance with the most recent in state cost-of-dispensing survey.

To understand the process, Maryland Department of Health's Medicaid Managed Care Program (MCPA) oversees among other things, pharmacy services to Medicaid recipients who are enrolled in the Managed Care Program. MCPA contracts with Managed Care Organizations (MCO) to provide healthcare, including pharmacy services, to enrolled Medicaid recipients in exchange for specified capitation payments. Each MCO independently contracts with a PBM that is then responsible for administering virtually all aspects of the MCO pharmacy activities including pharmacy network management, claims processing, and payments to the pharmacies. According to a 2020 Myers and Stauffer study, the average dispensing fee is about 50 cents, well below actual costs. Similar reviews have noted a dispensing fee between 59 cents and 67 cents. Under traditional Medicaid fee for service, reimbursements approved by CMS, the professional dispensing fee is \$10.67. This bill in part would require parity between both models.

This issue is not unique to Maryland and other states have worked to address these reimbursement inequities a number of ways. Similar bills have recently passed in both New Mexico and Nebraska. In New Mexico, the State Auditor reported in 2021 an investigation of New Mexico Medicaid Managed Care's (MMC) PBM's practices of overbilling New Mexico for Medicaid prescription drug claims, along with a referral to the New Mexico Attorney General. After a settlement of one Medicaid fraud case for MMC PBM overbilling (\$13.7 million), in 2024 New Mexico enacted legislation mandating New Mexico MCO PBMs to reimburse New Mexico MMC network pharmacies at a transparent, cost-based reimbursement rate of NADAC and a dispensing fee equivalent to a FFS rate, similar to what is proposed in this bill.

In Nebraska, to address concerns about Nebraska Medicaid's patient access to prescription services, and a settlement of MMC PBM overbilling (\$29.3 million), Nebraska enacted legislation to mandate Nebraska MCO PBMs to pay MMC network pharmacies at the Nebraska Medicaid FFS dispensing rate. Additional states such as West Virginia, California, North Dakota, New York, Michigan, Kentucky, Ohio, and Georgia have all invested resources in investigating PBM in their respective states and then mandating transparent reimbursement models.

We hope Maryland moves in a similar direction and we request a favorable report on Senate Bill 438. If we can provide any further information, please contact Michael Paddy at mpaddy@policypartners.net.