Mission: *To improve public health in Maryland through education and advocacy* ***Vision:*** *Healthy Marylanders living in Healthy Communities*

Testimony In Support of SB 987
Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising
Before the Senate Budget and Taxation Committee
By: Maryland Public Health Association (MdPHA)
March 11, 2026

Chair Guzzone, Vice-Chair Rosapepe, and Members of the Budget and Taxation Committee;
Under your Committee's leadership we have made great gains in Maryland in expanding access to quality, affordable health care for all Marylanders. Since the passage of the Affordable Care Act (ACA) we have gone from 13% of Marylanders being uninsured to 6%. Keeping Marylanders insured ultimately helps all of us because it reduces uncompensated care in hospitals, which in turn helps to stabilize premiums and shorten emergency department wait times for everyone. Expanding access to health coverage in Maryland has resulted in $460 million in savings to the health care system.

However, in the coming years hundreds of thousands of Marylanders could lose their coverage due to new administrative burdens and budget cuts from HR 1 and Congress's termination of enhanced advance premium tax credits. The resulting uncompensated care will cause everyone's health insurance premiums to rise. Maryland has made important advancements that we need to safeguard. Failure to invest now will cost the State more later.

SB 987 would combat federal attacks on Marylanders' access to health coverage, and help keep people covered. Under HR 1 there will be new work requirements and six-month redeterminations for adults who receive Medicaid through the ACA expansion. Experience from other states shows that work reporting requirements have not increased employment but have resulted in large numbers of eligible individuals losing coverage due to administrative barriers. In Maryland, most Medicaid recipients are already working or have valid exemptions like being a student, caregiver, or having a disability. The real risk is that the extra administrative steps could cause people to lose their coverage, worsening health outcomes and making it harder for them to remain employed.

SB 987 would put $5 million per year into funding Medicaid eligibility operations, which would help the State build and maintain the infrastructure to keep Marylanders from falling through the cracks and losing their Medicaid coverage. By utilizing existing state data for eligibility verification, the enrollment and re-enrollment processes can be greatly simplified for both Medicaid participants and state staff. Community-based navigators were instrumental during the rollout of the Affordable Care Act in helping Marylanders enroll in coverage. Investing in eligibility operations would reduce the risk that people will lose coverage due to paperwork issues.

SB 987 would put funds above $5 million into premium assistance programs that Maryland Health

Benefit Exchange would use to protect Marylanders' access to coverage. Due to Congress's termination of enhanced premium tax credits, many Marylanders who purchase private health coverage from Maryland Health Benefit Exchange are experiencing spiking health insurance premium costs, or are at risk for higher costs in the future. In 2025 Maryland wisely created the State Based Individual Subsidy Program to mitigate enrollment losses and stabilize the marketplace. This builds on the Young Adult Subsidy Program which has been in place since 2022 and helps stabilize the marketplace by bringing younger and healthier Marylanders into the marketplace. These programs have been lifesavers for Marylanders to be able to continue to afford their coverage. However, these programs are at risk due to lack of future funding. If they shrink or are discontinued even more Marylanders will lose their ability to pay for health insurance.

As one of only two countries that allows direct-to-consumer pharmaceutical advertising, the United States is an outlier. These ads, which are largely viewed as a public annoyance to television audiences, can actually do harm by driving up health care costs and compromising provider-patient relationships. With over $14 billion spent in a single year on these advertisements, tax-payers are footing the bill for patients to be flooded with unwanted, repeated exposure to marketing for prescription drugs they may not be able to afford.

Senate Bill 987 is an innovative way to address this issue, protecting consumers from the skyrocketing cost of prescription drugs while also generating revenue to help support the growing health care coverage demands of our state. This legislation mirrors federal efforts to eliminate tax deductions for direct-to-consumer advertisement by pharmaceutical manufacturers, which is expected to increase federal tax revenue by $1.5-1.7 billion annually. If scaled down to represent similar metrics at a state level, Maryland could see tens of millions of dollars in increased revenue.

We thank Senator Karen Lewis Young and Delegate Natalie Ziegler for their leadership on this issue and wholeheartedly support the ongoing effort to put patients over Big Pharma profits. For too long, the pharmaceutical industry has claimed they need to keep their prices high for research and development while they have spent many times more on advertising and self-enriching activities. It is time that Maryland puts an end to taxpayer sponsorship of this practice and puts our patients first. Please protect the progress that we as a state have made expanding access to quality, affordable health care for all Marylanders.

We respectfully ask the Committee to give a favorable report for Senate Bill 987.

The Maryland Public Health Association (MdPHA) is a nonprofit, statewide organization of public health professionals dedicated to improving the lives of all Marylanders through education, advocacy, and collaboration. We support public policies consistent with our vision of healthy Marylanders living in healthy, equitable, communities. MdPHA is the state affiliate of the American Public Health Association, a nearly 145-year-old professional organization dedicated to improving population health and reducing the health disparities that plague our state and our nation.

Maryland Public Health Association (MdPHA)
PO Box 7045 · 6801 Oak Hall Ln · Columbia, MD 21045-9998
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SB 987_DTC Advertising_Support.pdf
Uploaded by: Allison Taylor
Position: FAV

KAISER PERMANENTE®

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc
2101 East Jefferson Street
Rockville, Maryland 20852

March 11, 2026

The Honorable Guy Guzzone
Budget and Taxation Committee
3 West, Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

RE: SB 987 – Support

Dear Chair Guzzone and Members of the Committee:

On behalf of Kaiser Permanente, I am writing to express our strong support for Senate Bill 987. This legislation represents a critical step toward addressing the rising costs of healthcare by requiring pharmaceutical companies to add back direct-to-consumer advertising expenses for certain drugs to their Maryland taxable income—a practice that often prioritizes corporate profit over patient health and evidence-based medicine.

Kaiser Permanente is the nation's largest integrated healthcare delivery system, and our mission is to provide high-quality, affordable healthcare services and to improve the health of our members and the communities we serve. Central to this mission is our commitment to evidence-based prescribing. Our physicians and pharmacists work together to ensure that medications are prescribed based on clinical efficacy and safety rather than the influence of marketing.

Pharmaceutical manufacturers spend billions of dollars annually on DTC advertising—nearly $14 billion in 2023 alone. These advertisements are designed to encourage patients to request specific, often high-cost brand-name drugs, even when equally effective and more affordable alternatives are available. Research has shown that most ad dollars are directed toward drugs that are not necessarily the most effective or safest options, but rather those that generate the highest profit margins.

The consequences of this marketing surge are significant:

- **Increased Healthcare Costs:** DTC advertising drives demand for expensive medications, which in turn increases costs for patients, health systems, and government programs.
- **Pressure on Clinical Relationships:** When patients are influenced by splashy commercials, they may pressure their physicians to prescribe medications that may not be medically appropriate or the best value for their specific condition.
- **Safety Gaps:** The rise of DTC-linked telehealth platforms has created further risks, as medications may be prescribed by clinicians who lack a full understanding of a patient's medical history or electronic health records.

SB 987 aligns with Kaiser Permanente's public policy goals by eliminating the ability of pharmaceutical companies to deduct these advertising expenses from their Maryland taxable income. It is inconsistent with public health goals for the state to provide tax breaks that subsidize marketing tactics that ultimately make healthcare less affordable for Marylanders. By requiring this addition modification, Maryland can take a leadership role in curbing the negative effects of pharmaceutical marketing and ensuring that tax policy supports the health and financial well-being of its citizens.

For these reasons, Kaiser Permanente urges a favorable report on SB 987.

Thank you for the opportunity to comment. Please feel free to contact me at Allison.W.Taylor@kp.org or (202) 924-7496 with questions.

Sincerely,

Allison Taylor

Allison Taylor
Director of Government Relations
Kaiser Permanente

Testimony - SB 987- Direct-to-Consumer Pharmaceuti

Uploaded by: Betty McGarvie Crowley

Position: FAV

Support for SB 987-
Corporate Income Tax - Addition Modification
Direct-to-Consumer Pharmaceutical Advertising

Chair Guzzone, Vice-Chair Rosapepe, and Members of the Budget and Taxation Committee;

Under your Committee's leadership we have made great gains in Maryland in expanding access to quality, affordable health care for all Marylanders. Since the passage of the Affordable Care Act (ACA) we have gone from 13% of Marylanders being uninsured to 6%. Keeping Marylanders insured ultimately helps all of us because when Marylanders lose their health coverage, they often have to get their care in the emergency room which is the most expensive place possible. The resulting uncompensated care drives up everyone's health insurance premiums. Expanding access to health coverage in Maryland has resulted in $460 million in savings to the health care system which helped stabilize premiums for everybody.

However, in the coming years hundreds of thousands of Marylanders could lose their coverage due to new administrative burdens and budget cuts from HR 1 and Congress's termination of enhanced advance premium tax credits. The resulting uncompensated care will cause everyone's health insurance premiums to rise. None of us can afford for Marylanders to lose coverage. **SB 987** would combat federal attacks on Marylanders' access to health coverage, and help keep people covered. Under HR 1 there will be new work requirements and six-month redeterminations for adults who receive Medicaid through the ACA expansion. We know from examples in other states that work requirements don't increase employment. In Maryland the vast majority of Medicaid recipients are already working or have a reason not to be like going to school or serving as a caregiver or having a disability, but the added administrative burden could cause them to fall off their Medicaid coverage, ironically making it less likely that people will be able to stay healthy enough to work.

SB 987 would put $5 million per year into funding Medicaid eligibility operations, which would help the State build and maintain the infrastructure to keep Marylanders from falling through the cracks and losing their Medicaid coverage. Investing in IT systems to use the data the state already has to verify eligibility can simplify the enrollment and re-enrollment process for Medicaid participants and state employees alike. Navigators, working in local communities across the state, were critical in helping Marylanders get enrolled in health coverage during the rollout of the ACA. Using this successful strategy again by investing in navigators in local health departments can help prevent Marylanders from losing coverage due to the new administrative requirements and provide individualized support. Investing in eligibility operations reduces the risk that people will lose coverage due to paperwork issues.

SB 987 would put funds above $5 million into premium assistance programs that Maryland Health Benefit Exchange would use to protect Marylanders' access to coverage. Due to Congress's termination of enhanced premium tax credits, many Marylanders who purchase private health coverage from Maryland Health Benefit Exchange are experiencing spiking health insurance premium costs, or are at risk for higher costs in the future. In 2025, Maryland wisely created the State Based Individual Subsidy Program to mitigate enrollment losses and stabilize the marketplace. This builds on the Young Adult Subsidy Program which has been in place since 2022 and helps stabilize the marketplace by bringing younger and healthier Marylanders into the marketplace. These programs have been lifesavers for Marylanders to be able to continue to afford their coverage. However, these programs are at risk due to lack of future funding. If they shrink or are discontinued even more Marylanders will lose their ability to pay for health insurance.

As one of only two countries that allows direct-to-consumer pharmaceutical advertising, the United States is an outlier. These ads, which are largely viewed as a public annoyance to television audiences, can actually do harm by driving up health care costs and compromising provider-patient relationships. With over $14 billion spent in a single year on these advertisements, tax-payers are footing the bill for patients to be flooded with unwanted, repeated exposure to marketing for prescription drugs they may not be able to afford.

SB 987 is an innovative way to address this issue, protecting consumers from the skyrocketing cost of prescription drugs while also generating revenue to help support the growing health care coverage demands of our state. This legislation mirrors federal efforts to eliminate tax deductions for direct-to-consumer advertisement by pharmaceutical manufacturers, which is expected to increase federal tax revenue by $1.5-1.7 billion annually. If scaled down to represent similar metrics at a state level, Maryland could see tens of millions of dollars in increased revenue.

We thank Senator Karen Lewis Young and Delegate Natalie Ziegler for their leadership on this issue and wholeheartedly support the ongoing effort to put patients over Big Pharma profits. For too long, the pharmaceutical industry has claimed they need to keep their prices high for research and development while they have spent many times more on advertising and self-enriching activities. It is time that Maryland puts an end to taxpayer sponsorship of this practice and puts our patients first. Please protect the progress that we as a state have made expanding access to quality, affordable health care for all Marylanders.

We thank the Committee for your consideration of this legislation and urge a favorable report on **SB 987**.

MEActionMD SB987.pdf
Uploaded by: Bridget Collins
Position: FAV

SB987
FAV

Bridget Collins
Maryland State Chair
ME Action Network Maryland
1512 Auburn Ave
Rockville, MD 20850

Testimony in Favor of Senate Bill 987

Corporate Income Tax–Addition Modification–Direct–to–Consumer Pharmaceutical Advertising

Senate Budget and Taxation Committee

March 11, 2026

Chair Guzzone and Esteemed Members of the Budget and Taxation Committee:

My name is Bridget Collins. I am a Maryland resident living with Myalgic Encephalomyelitis (ME), Long Covid (LC), and multiple other chronic illnesses. I am also Chair of ME Action Maryland — an advocacy and support group for Marylanders living with complex chronic illness. Our group advocates for medical research and provides community support to residents impacted by ME and Long COVID. We also work with government offices, such as the Maryland Department of Health, to educate officials regarding the impact of complex chronic illness on the state.

Speaking on behalf of residents disabled by chronic illness, I recommend a favorable report on SB987 to protect Marylanders from federal changes to their healthcare.

The scope of the issue

Historically, the state has benefitted from higher rates of health insurance. From 2014 to 2024, the Affordable Care Act (ACA) reduced the number of uninsured Marylanders from 13% to 6%[1]. Lowered uninsured rates improve population health by increasing access to preventive care, reducing reliance on emergency services, and decreasing chronic disease severity. These benefits keep everyone healthier in a system that has stabilized premiums for all, resulting in $460 million in savings[2] to the state.

Under the current Congress, hundreds of thousands of Marylanders are projected to lose their health care insurance. Federal cuts to Medicaid and the end of ACA premium tax credits - in

[1] Explore Uninsured in Maryland | America's Health Rankings
[2] Media Release: MD has reaped at least $460 M in savings for hospital costs through expansion of health insurance coverage to more residents reducing hidden health care tax – Maryland Health Care for All

addition to new administrative burdens stipulated by HR1, the One Big Beautiful Bill Act (OBBBA) - all intend to reduce the number of Americans insured.

Maryland must act to preserve coverage for its vulnerable residents.

How SB 987 works for Maryland

SB 987 innovatively addresses this issue. The bill is funded through eliminating tax deductions on direct-to-consumer pharmaceutical advertising. Similar federal efforts[3] are expected to increase federal tax revenue by $1.5 - 1.7 billion annually[4]. The projected scaled down version for Maryland shows tens of millions of dollars in increased Maryland state revenue. This would "tax" the annoying commercials for big Pharma (only allowed in the US and NZ) that degrade trust between patients and providers and cost Pharma around $14 billion yearly.[5] In turn this revenue would benefit the patients and the increased healthcare demands of Maryland.

SB987 infrastructure gains

SB987 funds $5 million per annum into Medicaid eligibility operations in order to facilitate the application and retention process. This modest investment will make rapid gains using existing state services and infrastructure.

The first sustainable goal is to update IT systems Maryland currently uses to verify eligibility to ensure ease of access and platform legibility.

Other realistic objectives include expanding the Maryland Navigators program[6], which has proved highly successful in getting and keeping Marylanders enrolled in state exchanges. The individual support Navigators provide in guiding residents through the shifting complexities of insurance enrollment is still unmatched by AI. Investing in Navigator support, with a roll-out online and in local communities, is key to insurance retention and expansion for all Marylanders[7].

Investing in system access and personal navigation will particularly benefit people with complex chronic illness, who by definition suffer from multiple conditions affecting their physical, emotional, and cognitive health.

HR1 impact

Passing SB987 promises to help mitigate the negative impact of HR1, which mandates work requirements and six-month eligibility redeterminations for adults who receive Medicaid through the ACA expansion.

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[3] S.4691 - No Tax Breaks for Drug Ads Act 118th Congress (2023-2024)
[4] CSRxP Analysis: Direct-to-Consumer Advertising Report
[5] CSRxP analysis finds big pharma's direct-to-consumer (dtc) advertising costs u.s. taxpayers billions of dollars
[6] Study of Navigator Program and Consumer Assistance
[7] State-Based Marketplace Outreach Strategies for Boosting Health Plan Enrollment of the Uninsured

For people in my community, the administrative burden of ongoing verification could be beyond their physical and cognitive limits[8], and prevent them from accessing insurance and needed care.

In 2023 the ACS survey[9] found in Maryland that only 77,400 people had SSI out of Maryland's 234,400 Medicaid enrollees with disabilities (roughly 33%). In my community, research shows only one in four people diagnosed with ME/CFS is able to work[10]. And yet, due to lack of informed medical providers and prolonged length to diagnosis, people with complex chronic illnesses like ME/CFS are often part of the approximately one-third of Medicaid recipients who do not have a State or Federal pathway to official disabled status, which would relieve them of burdensome work requirements. It is a perpetual land of Catch-22s, red tape, and paperwork.

Exemptions exist in HR1 for an "individual who is medically frail or otherwise has special medical needs (as defined by the Secretary [of Health and Human Services][11]), … or with a serious or complex medical condition." Yet definitions of medical frailty still need to be expanded at both the state and federal level to better encompass complex chronic illnesses.

Our advocacy group is working on this campaign in Maryland. Until exemptions for medical frailty are assured, however, the state needs to take into consideration that chronically ill residents are likely to lose insurance coverage because of the new federal work requirements. Without coverage for care, these residents will decline.

Funding a streamlined and effective state eligibility system, with additional personal support, will help chronically ill Marylanders complete the insurance application process with minimum symptom burden, and also support their health by preventing them from taking on medically counter-indicated activity.

Our gratitude to Senator Karen Lewis Young for her sponsorship of SB 987. Help Maryland continue to be an innovator by considering this legislation.

We urge a favorable report on Senate Bill 987

Thank you,

Bridget Collins

Maryland State Chair
ME Action Network Maryland

#ME ACTION MARYLAND

[8] Jaywant et al.], *JAMA Network Open* (2024); Robinson et al., *PMC* (2019)
[9] 5 Key Facts About Medicaid Coverage for People with Disabilities | KFF Appendix table 1
[10] Kingdon et al., *PMC* (2018)
[11] CMCS, CIB (Dec. 2025); OBBBA H.R.1, 119th Congress

SB0987 Corporate Income Tax - Addition Modificatio
Uploaded by: Cecilia Plante
Position: FAV

MARYLAND LEGISLATIVE COALITION

TESTIMONY FOR SB0987 – Corporate Income Tax – Addition Modification – Direct-to-Consumer Pharmaceutical Advertising – FAVORABLE

Bill Sponsor: Senator Karen Lewis Young
Committee: Budget and Taxation
Organization Submitting: Maryland Legislative Coalition
Person Submitting: Jessica Gorski, Executive Committee
Position: FAVORABLE

Chair, Vice Chair, and Members of the Committee,

My name is Jessica Gorski, and I am submitting this testimony in strong support of SB0987 on behalf of the Maryland Legislative Coalition. We are a statewide coalition of grassroots organizations representing more than 30,000 Marylanders across every legislative district. Our mission is rooted in the belief that government must protect people's lives, health, and dignity, especially when federal actions threaten the stability of our healthcare system and the coverage Marylanders rely on.

SB0987 strengthens that commitment by ensuring that Maryland has additional resources to safeguard health coverage and keep private insurance affordable for working families.

This bill provides an additional modification under Maryland's corporate income tax for certain direct-to-consumer pharmaceutical advertising expenses for covered prescription drugs that are currently deductible under the Internal Revenue Code. The revenue attributable to this addition modification is distributed to the Maryland Health Benefit Exchange Fund, where it is dedicated to funding health insurance subsidy programs, including the State-Based Health Insurance Subsidies Program and the State-Based Young Adult Health Insurance Subsidies Program.

These protections are urgently needed.

Federal policy changes and the loss of enhanced federal premium tax credits have created new pressures on coverage affordability. Congress has terminated the enhanced premium tax credits that helped many Marylanders afford private health insurance. As those enhanced subsidies expire, more residents are at risk of being priced out of coverage. SB0987 invests additional funds into premium assistance through Maryland Health Connection so that Marylanders can better afford private health coverage even as federal support recedes.

SB0987 would help protect Marylanders from federal attacks threatening their health coverage by reinforcing the state's own tools to maintain affordability and continuity of care.

The funds would come from removing Maryland's tax break on direct-to-consumer pharmaceutical advertising. These ads can harm by driving up health care costs and compromising provider-patient relationships. **With over $14 billion spent in a single year on these advertisements nationwide, taxpayers are effectively footing the bill for patients to be flooded with unwanted, repeated exposure to marketing for prescription drugs they may not be able to afford.**

SB0987 recognizes that Marylanders should not bear the cost of corporate advertising strategies that contribute to rising healthcare expenses.

This bill ensures:

- Dedicated funding for health insurance subsidy programs through the Maryland Health Benefit Exchange Fund, including subsidies for young adults, to improve the affordability of coverage.
- A fairer tax structure that prevents pharmaceutical corporations from deducting advertising expenses that increase healthcare spending for everyone else.
- A consistent statewide approach that protects coverage, strengthens affordability, and reinforces Maryland's leadership in health equity.

SB0987 aligns squarely with the mission of the Maryland Legislative Coalition. It promotes equity, protects Marylanders from federal actions that threaten their health coverage, and ensures that our tax code supports, not undermines, affordable access to care. **No one should lose coverage or face higher costs because federal policy has shifted or because pharmaceutical advertising budgets continue to grow unchecked.**

We respectfully urge a FAVORABLE report on SB0987.

Thank you for your time and consideration.

Jessica Gorski
Executive Committee
Maryland Legislative Coalition

SB 987_Revenue for Medicaid_BHSB_FAVORABLE.pdf
Uploaded by: Dan Rabbitt
Position: FAV

Behavioral Health System Baltimore

March 11, 2026

Senate Budget & Taxation Committee
TESTIMONY IN SUPPORT
SB 987 - Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

Behavioral Health System Baltimore (BHSB) is a nonprofit organization that serves as the local behavioral health authority (LBHA) for Baltimore City. BHSB works to increase access to a full range of quality behavioral health (mental health and substance use) services and advocates for innovative approaches to prevention, early intervention, treatment and recovery for individuals, families, and communities. Baltimore City represents nearly 35 percent of the public behavioral health system in Maryland, serving over 100,000 people with mental illness and substance use disorders (collectively referred to as "behavioral health") annually.

BHSB supports SB 987 - Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising. This bill would help generate revenue needed to mitigate the harmful effects of federal policy changes to Medicaid and the Affordable Care Act.

Changes enacted through H.R. 1, the One Big Beautiful Bill Act (OBBBA), are likely to reduce coverage for hundreds of thousands of Marylanders and cost the state billions each year. These changes are not the result of direct eligibility or funding reductions but instead rely on administrative burdens and onerous documentation requirements to achieve the desired cost reductions. This gives Maryland the opportunity to potentially avoid coverage losses by supporting enrollees in navigating the new hurdles, but funding is needed to put those systems and supports in place.

SB 987 would generate $5 million for Medicaid eligibility operations to keep people covered despite the OBBBA changes. This funding would support technological systems and in-person navigation assistance to help remain covered. This investment would pay dividends by keeping Marylanders healthy and limiting uncompensated care costs. It would also be especially helpful in Baltimore City where 250,000 people are enrolled but many may not have the resources needed to navigate the new requirements.

The revenue would be generated by closing a tax loophole that pharmaceutical companies use to write of the $14 billion per year costs of direct-to-consumer advertising. Ending this tax break to fully fund Medicaid eligibility services seems to be a reasonable approach in these challenging budgetary circumstances.

Maryland must do everything it can to allocate revenue towards mitigating the impacts of OBBBA and keeping Marylanders healthy. **BHSB urges the Senate Budget & Taxation Committee to support SB 987.**

For more information, please contact BHSB Policy Director Dan Rabbitt at 443-401-6142 or daniel.rabbitt@bhsbaltimore.org

Medicaid Budget Fact Sheet_Feb 2026.pdf
Uploaded by: Glenn Schneider
Position: FAV

Protecting Marylanders' Access to Health Care Through Medicaid

Medicaid provides free or low-cost health coverage to about 25% of Marylanders, including children, parents, pregnant people, seniors, and people with disabilities. Major federal policy changes are now putting access to this essential care at risk for thousands of Marylanders. **About 130,000 people across the state are expected to lose their health coverage through Medicaid** once provisions of H.R. 1, or the "One Big Beautiful Bill Act," that Congress passed in 2025 fully go into effect.

Many people are expected to lose coverage not because they are no longer eligible, but because new administrative barriers cause them to fall through the cracks. Strategic implementation of these changes can help more Marylanders keep their coverage.

Additional Supports Can Protect Access to Health Care

Fully fund strong implementation that reduces paperwork barriers. Using data the state already has to verify eligibility can simplify the enrollment and re-enrollment process for Medicaid participants and state employees alike. This reduces the risk that people will lose coverage due to paperwork issues. The budget should maintain sufficient funding for IT upgrades and staffing to accomplish these goals.

Support 100 local navigator positions. Navigators, working in local communities across the state, were critical in helping Marylanders get enrolled in health coverage during the rollout of the Affordable Care Act. Using this successful strategy again can help prevent Marylanders from losing coverage due to the new administrative requirements and provide individualized support. The estimated cost for the navigator positions is $8 million in FY 27.

For more information, contact:

Nikki Highsmith Vernick
President and CEO, Horizon Foundation
nhvernick@thehorizonfoundation.org
410-715-0311

Medicaid Budget_Sign-on Letter_FINAL.pdf
Uploaded by: Glenn Schneider
Position: FAV

March 2, 2026

Dear Maryland General Assembly Member,

We, the undersigned organizations, urge the Maryland General Assembly to protect and expand funding for the State's Medicaid program.

H.R. 1, passed by the federal government last summer, included the biggest-ever cut to Medicaid in our nation's history as well as changes to the program, such as work requirements, that are anticipated to cause about 130,000 Marylanders to lose their health care coverage. State health care officials estimate that these cuts and changes could amount to $2.7 billion in lost federal dollars each year in Maryland, representing about 20% of the state's current Medicaid funding.[i] Significant additional state resources will also be needed to implement and administer work requirements and other program changes.[ii]

We are proud to be part of a network of statewide advocates that have been working closely with state health officials to come up with solutions to these challenges and work to ensure Marylanders who rely on these programs remain on the rolls. **Specifically, we urge you to protect full funding in this year's budget for the Department of Health's and the Maryland Health Benefit Exchange's administrative and IT needs that will be critical for the state to effectively implement work requirements for Medicaid with as minimal disruption to enrollees as possible. In addition, we request an additional $8 million to fund 100 local health department navigator positions.** These navigators at the local level are crucial to helping Marylanders understand what steps they need to take to remain covered and remain in compliance with federal work requirements. Redeterminations will be required every six months for adults who receive Medicaid through the Affordable Care Act expansion. These adults are at risk of losing their Medicaid coverage simply due to increased red tape. Navigators would provide critical support to Marylanders who struggle to complete and submit the new paperwork requirements on their own.

We also ask that you protect Marylanders from any other Medicaid funding reductions. It is critical that Maryland continues to provide health coverage to its most financially and medically vulnerable residents. Medicaid helps ensure seniors can get the care they need without bankrupting their families in the process, with 5 in 8 nursing home residents covered by Medicaid. One in three children in Medicaid rely on Medicaid for a healthy start, including early screening and detection services, and management of conditions like asthma. Medicaid helps ensure that low-income families have coverage so that patients with conditions like cancer don't have to go without treatment.

When Marylanders lose their health coverage, they often are forced get their care in the emergency room, which is the most expensive place possible. The resulting uncompensated care drives up health insurance premiums for all of us. With costs rising for everyone – and with federal cuts projected to further restrict Maryland's budget in future years – we simply cannot afford for Marylanders to lose their health care. The time to invest in our health care system is now.

Together, we urge you to protect full funding for the state's Medicaid program and to allocate an additional $8 million to support local public health department navigators who will help your constituents stay insured. Thank you for your consideration.

Sincerely,

1199SEIU United Healthcare Workers East
AARP Maryland
Accessible Resources for Independence
Affiliated Sante Group
American Lung Association in Maryland
Ark Church
Ashley Addiction Treatment
Asian American Healthcare Center
Association of Community Services of Howard Co.
Awaken Recovery Foundation, Inc.
Baltimore Harm Reduction Coalition
Baltimore Jewish Council
Be the Change Bmore
Behavioral Health System Baltimore
Bridges to Housing Stability Inc.
Caroline County Health Department
Catholic Charities
Caucus of African American Leaders
Chesapeake Climate Action Network
Child Justice, Inc.
Clergy United for the transformation of Sand-town
Columbia Baptist Fellowship Community Ecology Institute
Cornerstone Montgomery
Delaware-Maryland Synod of the ELCA
Easterseals Adult Day Services
Economic Action Maryland Fund
First Mount Calvary Baptist Church
Maryland Association of County Health Officers
Maryland Chapter of the American Academy of Pediatrics
Maryland Citizens' Health Initiative
Maryland Coalition of Families
Maryland Dental Action Coalition
Maryland Family Network
Maryland Latinos Unidos
Maryland Legislative Coalition
Maryland Managed Care Organization Association
Maryland Nonprofits
Maryland Nurses Association
Maryland Public Health Association
Maryland Rural Health Association
Maryland Volunteer Lawyers Service
Maryland-DC Society of Addiction Medicine
MedChi, the Maryland State Medical Society
Mental Health Association of Maryland
Mid Shore Behavioral Health, Inc.
Molly Perkins Hauck PhD, licensed psychologist
Montgomery County Commission on Aging
Montgomery County Federation of Families for Children's Mental Health, Inc.
Montgomery County Women's Democratic Club
NAMI Maryland
National Council on Alcoholism and Drug Dependence Maryland Chapter
National Health Care for the Homeless Council
On Our Own of Maryland, Inc.
Planned Parenthood of Maryland
Powell Recovery Center, inc.

Garrett County Democratic Central Committee
Garrett County Health Department
Gary Mangum Empowerment Team
Greater Washington Society of Clinical Social Work
Health Care for the Homeless
HealthCare Access Maryland
HealthPort
HeartSmart Foundation
High Note Consulting, LLC
Horizon Foundation
Indivisible Leadership in Action Maryland
Indivisible MoCoWoMen
LeadingAge Maryland
LeanToo Consulting, LLC
Legal Action Center
Maryland Association of Behavioral Health Authorities (MABHA)
Primary Care Coalition
Progressive Maryland
Public Justice Center, Inc.
Pyramid Healthcare, Inc.
Sharon Baptist Church of Baltimore
Sisters Together And Reaching, Inc.
St. Mary's Outreach Center
The Coordinating Center
The Fund for Change
The Maryland Nurses Association
The Parent's Place of Maryland
The Village Maternal Holistic Wellness Center LLC
The Zanvyl and Isabelle Krieger Fund
The Mack Lewis Foundation
Trinity Maternal Wellness Incorporated
UFCW Local 1994 MCGEO
Unitarian Universalist Legislative Ministry of Maryland

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[i] https://marylandmatters.org/2026/01/29/health-official-warns-that-future-medicaid-cuts-could-lead-to-2-7-billion-loss-in-federal-funding/#:~:text=Just%20under%20half%20of%20the,if%20Medicaid%20imposes%20work%20requirements

[ii] https://health.maryland.gov/mmcp/Documents/OBBBA%20One-Pager_7.11.25.pdf

SB 987_Horizon Foundation_FAV.pdf
Uploaded by: Glenn Schneider
Position: FAV

HORIZON FOUNDATION

March 11, 2026

COMMITTEE: Senate Budget and Taxation Committee
BILL: SB 987 – Corporate Income Tax – Addition Modification – Direct-to-Consumer Pharmaceutical Advertising
POSITION: Support

The Horizon Foundation is the largest independent health philanthropy in Maryland. We are committed to a Howard County free from systemic inequities, where all people can live abundant and healthy lives. The Foundation is pleased to **support SB 987 – Corporate Income Tax – Addition Modification – Direct-to-Consumer Pharmaceutical Advertising.**

Currently, pharmaceutical companies can deduct direct-to-consumer advertising expenses, such as costs for radio, television and social media ads for prescription drugs, from its corporate taxable income. This bill would eliminate that provision, therefore counting those expenses towards their overall tax liability, and dedicate the additional tax revenue raised towards the state's Medicaid program and Maryland Health Benefit Exchange.

H.R. 1, passed by the federal government last summer, included the biggest-ever cut to Medicaid in our nation's history as well as changes to the program, such as work requirements, that are anticipated to cause about 130,000 Marylanders to lose their health care coverage. State health care officials estimate that these cuts and changes could amount to $2.7 billion in lost federal dollars each year in Maryland, representing about 20% of the state's current Medicaid funding.[i] Significant additional state resources will also be needed to implement and administer work requirements and other program changes.[ii] In addition, federal enhanced premium tax credits for the Affordable Care Act have expired, making health insurance unaffordable for thousands and threatening the stability of our state's insurance marketplace.

Since last spring, the Horizon Foundation has been convening a group of statewide Medicaid advocates and working closely with state health officials to come up with solutions to these challenges and work to ensure Marylanders who rely on these programs remain on the rolls. We know that both the state's Medicaid program and the Maryland Health Benefit Exchange will need personnel and financial resources to help residents navigate changes to these programs and implement necessary technology upgrades to effectively implement work requirements with as minimal disruption to enrollees as possible. SB 987 represents an

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410.715.0311 • info@thehorizonfoundation.org • thehorizonfoundation.org

opportunity to boost state revenue and dedicate desperately needed resources to our health care system at a time when rising health care costs are plaguing consumers.

The Horizon Foundation believes that all Marylanders deserve accessible and affordable health care. For this reason, the Foundation **SUPPORTS SB 987** and urges a **FAVORABLE** report. Thank you for your consideration.

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[i] https://marylandmatters.org/2026/01/29/health-official-warns-that-future-medicaid-cuts-could-lead-to-2-7-billion-loss-in-federal-funding/#:~:text=Just%20under%20half%20of%20the,if%20Medicaid%20imposes%20work%20requirements

[ii] https://health.maryland.gov/mmcp/Documents/OBBBA%20One-Pager_7.11.25.pdf

The Horizon Foundation of Howard County, Inc.
10221 Wincopin Circle, Suite 200, Columbia, MD 21044 **P** 410.715.0311 **F** 410.715.2973 · info@thehorizonfoundation.org

MNA Support for Medicaid Funding .pdf
Uploaded by: Jamie DeMarco
Position: FAV

Committee: Senate Budget and Taxation Committee

Bill Number: SB 987 Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

Date: March 11th, 2026

Position: Favorable

Dear Guzzone, Vice-Chair Rosapepe, and members of the Senate Budget and Taxation Committee,

The Maryland Nurses Association urges a **Favorable Report on SB 987**. It is more important than ever to find every possible source of funding for Medicaid. Our members and the patients who members serve rely on this funding. Without it, more Marylanders would go without health insurance, would not seek preventative care, and would enter the medical system only after their condition has progressed significantly. This raises everyone's healthcare costs and puts a strain on our members who will be the ones caring for the patients who did not seek preventative care.

SB987 will help ensure Maryland adequately funds Medicaid at a time when the state is suffering a structural budget deficit and the Federal Government is working to make it harder to access Medicaid. As amended, SB987 will remove the ability of prescription drug companies to write off direct to consumer advertising as a business expense. The resulting additional revenue to the state would be re-directed to funding medicaid and lowering health insurance premiums.

For these reasons the Maryland Nurses Association recommends a favorable report with the sponsor amendments on SB987.

Respectfully,

James DeMarco

Jamie DeMarco
Registered Lobbyist,
Maryland Nurses Association

jamie@demarcoadvocacy.com
https://www.marylandrn.org/

Health Care for the Homeless - SB 987 FAV - Revenu

Uploaded by: Joanna Diamond

Position: FAV

HEALTH CARE FOR THE HOMELESS TESTIMONY
FAVORABLE
SB 987 – Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

Senate Budget and Taxation Committee
March 11, 2026

Health Care for the Homeless supports SB 987 as a tool to generate revenue that would support Maryland Medicaid eligibility operations needed to combat federal attacks on access to Medicaid.

As Maryland's leading provider of integrated health services and supportive housing for individuals and families experiencing homelessness, Health Care for the Homeless knows that Medicaid is a vitally important health insurance program for our patients and their health care providers. In 2023, over half (55%) of nearly 1 million patients in the national Health Care for the Homeless community were insured through Medicaid, numbers that approximately reflect Health Care for the Homeless in Baltimore.[1]

Now, major federal policy changes are now threatening access to this essential care at risk for thousands of Marylanders. About 130,000 people across the state are expected to lose their Medicaid coverage because of H.R. 1, not because they are no longer eligible, but because of new administrative barriers designed to cause people to fall through the cracks. Adding work requirements to the Medicaid program, as contemplated by H.R. 1, will reduce health care coverage and serious harm to people experiencing homelessness and the health care providers who care for them.[2] Medicaid work requirements have already been shown to be expensive to administer, hard to prove, and ineffective at increasing employment. While over half of people experiencing homelessness are working, it's hard to prove you are working to qualify for ongoing coverage. This is even more difficult when work hours must be documented each and every month—an even higher burden for individuals with limited phone or internet access. This is precisely why H.R. 1 specified work requirements as the policy that could most effectively eviscerate the ability for people to maintain their Medicaid coverage.

For the first time, many Marylanders will be saddled with the burden of redetermination every 6 months, complicated further by navigating brand new barriers of work requirements and exemptions. It is inconceivable that Marylanders will be able to navigate an extremely complicated, burdensome, and new system without the assistance of dedicated navigators at the local level. As such, we urge

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[1] *See* National Health Care for the Homeless, *Impact of Medicaid Work Requirements for Unhoused People* (Feb. 2025), *available at* https://nhchc.org/resource/impact-of-medicaid-work-requirements-for-unhoused-people/ (authored by Barbara DiPietro). Since the Affordable Care Act expanded Medicaid in 2013, the rate of uninsured patients at Health Care for the Homeless programs in expansion states has dropped by more than half - from 51% in 2013 to 21% in 2023. *Id*.
[2] *Id.*

the legislature to dedicate an additional $8 million for an additional 100 local navigator positions, which will be critical in helping Marylanders navigate the complicated and burdensome administrative processes that we know are inevitable as a result of H.R. 1.

The proposed FY 2027 budget makes necessary investments in Medicaid's operations that minimizes disenrollment, namely through the expansion of Medicaid's automatic enrollment system. However, despite Medicaid staff working tirelessly to maximize the functionality of automatic enrollment, these systems cannot prevent the disenrollment of the entirety of the estimated 130,000 Marylanders expected to lose coverage. For those Marylanders who aren't automatically re-enrolled, their Medicaid applications will generally be sent to local health departments, leaving the staff at those local departments to help Marylanders complete their applications – every 6 months. Local health departments do not have the staffing for the number of navigators necessary to meet the demand needed to ensure Marylanders maintain the Medicaid coverage to which they are entitled.

The Maryland General Assembly has made tremendous progress in expanding Medicaid programs that have been transformative for Maryland's most vulnerable residents. For instance, just last year, the General Assembly expanded the Medicaid supportive housing waiver, which has been proven to improve health outcomes and save the State money.[3] In addition, the Maryland General Assembly has passed legislation that created a full adult dental Medicaid benefit, enabled Medicaid coverage for all people who are pregnant and post-partum regardless of immigration status through the Health Babies Equity Act, and affirmed the basic health needs of our transgender Marylanders through the Trans Health Equity Act. All of the tremendous work this body has done in recent years is at risk without more resources to help Marylanders navigate the upcoming H.R. 1 Medicaid requirements. The General Assembly has rightly declared that, as a matter of public policy, Medicaid is of vital importance for Maryland's most vulnerable populations. We cannot go back and erase the hard work of the legislature.

Given that we urge this body for additional funds to invest in local navigators, we support this bill as a mechanism to generate the revenue needed to help meet this specific request. SB 987 specifies that the first $5,000,000 generated by the bill go "to the Maryland Department of Health to be used for Medicaid eligibility operations." With the budget deficit that the State faces, this bill offers a reasonable solution to both support the most vulnerable Marylanders who will need to navigate this purposely burdensome process without increasing the budget deficit. Without such investments, all Marylanders will pay the consequences through the rising costs of emergency room visits, hospitalization, mental health care, homelessness, and joblessness. We urge this Committee to pass this bill as a tool that responds to H.R. 1's harmful requirements.

Health Care for the Homeless is Maryland's leading provider of integrated health services and supportive housing for individuals and families experiencing homelessness. We deliver medical care, mental health services, state-certified addiction treatment, dental care, social services, housing support services, and housing for over 11,000 Marylanders annually at sites in Baltimore City and Baltimore County.

Our Vision: Everyone is healthy and has a safe home in a just and respectful community.

Our Mission: We work to end homelessness through racially equitable health care, housing and advocacy in partnership with those of us who have experienced it.

For more information, visit www.hchmd.org.

[3] A 5-year study from the Hilltop Institute on the ACIS program reported very compelling results on the success of the program. See The Hilltop Institute UMBC, *Summary Report: Assistance in Community Integration Services (ACIS) Program Assessment, CY 2018 to CY 2021* (Sept. 15, 2023), *available at* Summary Report: ACIS Program Assessment (hilltopinstitute.org).

MMCOA Comments on Senate Bill 987 - Favorable.pdf
Uploaded by: Joseph Winn
Position: FAV

MMCOA

MARYLAND MCO ASSOCIATION

Senate Bill 987 - Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

FAVORABLE
Budget & Taxation Committee
March 11, 2026

Thank you for the opportunity to submit this testimony for SB 987 – Corporate Income Tax – Addition Modification – Direct-to-Consumer Pharmaceutical Advertising. The Maryland Managed Care Organization Association (MMCOA), which represents all nine Medicaid managed care organizations (MCOs), finances and arranges care for nearly 1.3 million HealthChoice members across the State.

As the Committee is aware, Medicaid is the safety-net insurance program that protects Maryland's most vulnerable citizens. Moreover, Medicaid is a foundational part of Maryland's healthcare system, providing coverage for children, pregnant women, seniors, people with disabilities, and working families. In Maryland, nearly a fifth of residents—approximately 1.4 million people—rely on Medicaid. This mirrors national trends, with one in five people in the United States enrolled in Medicaid. Importantly, Medicaid is the primary source of healthcare coverage for eight in ten children living in poverty, and nearly 40 percent of all births are financed by Medicaid.

Through HealthChoice, MCOs provide comprehensive health benefits, including primary care visits, hospital care, urgent care, prescription drugs, x-rays, and laboratory services, as well as other essential healthcare services people rely on for their well-being. Beyond comprehensive medical services, Maryland's MCOs also provide a range of additional supports to members, such as transportation, health and wellness classes, and other important services.

Medicaid operates as a partnership between the federal government and the states. Federal Medicaid funding contributes a significant portion of the overall federal funds sent to Maryland. The Fiscal Year 2027 budget preserves HealthChoice and Medicaid funding, helping to maintain federal matching dollars for medical care programs. SB 987 would add to the resources under consideration and represent a continued investment in Medicaid in Maryland. While funding for Medicaid is always critical to maintaining a robust program, it is especially important this year given operational changes resulting from recent federal actions. Maryland Medicaid will be required to make investments to account for increased eligibility requirements for enrollees. The additional funding generated through this bill would help ensure that as many Marylanders as possible remain enrolled without disruptions to their healthcare coverage.

MMCOA respectfully requests a favorable report on Senate Bill 987.

Please contact Joe Winn, Executive Director of MMCOA, with any questions regarding this testimony at jwinn@marylandmco.org.

SB 987_MD Center on Economic Policy_FAV.pdf
Uploaded by: Kali Schumitz
Position: FAV

Taxing Direct-to-Consumer Prescription Drug Advertising Would Protect Access to Care

Position Statement in Support of Senate Bill 987

Given before the Budget and Taxation Committee

Maryland today faces a multifaceted, human-made health care crisis. Up to 175,000 Marylanders are expected to lose Medicaid health insurance under 2025 federal megabill (H.R. 1), and many more face unaffordable costs due to expiring premium assistance. The U.S. Department of Health and Human Services is issuing dubious advice and threatening access to life-saving vaccines. And severe fiscal challenges make it harder for the state government to protect and support Marylanders. Ending corporate tax deductions for direct-to-consumer pharmaceutical advertising would generate much-needed revenue the state could use to protect access to health care. **For these reasons, the Maryland Center on Economic Policy supports Senate Bill 987.**

Allowing pharmaceutical companies to deduct the cost of direct-to-consumer advertising on their corporate income taxes compromises patients' sources of health care information and leaves on the table revenue that could otherwise support effective public health policies:

- The United States is nearly alone globally in broadly allowing pharmaceutical companies to advertise prescription medicines directly to consumers.[i]
- These advertisements total about $6 billion per year, according to the U.S. Government Accountability Office.[ii]
- While health care decisions should come out of a collaborative, fact-based conversation between patients and their doctors, direct-to-consumer advertising inundates a non-expert audience with information from a highly non-neutral source. In fact, researchers found that more than half of the most emphasized claims in prescription drug advertisements were potentially misleading, and some were outright false.[iii]
- Nationwide, prohibiting deductions for these advertisements may raise upward of $1.5 billion in federal revenue, according to one estimate.[iv]

Ending this deduction at the state level would help Maryland counter simultaneous health care and fiscal threats:

- H.R. 1, the 2025 federal megabill, is expected to take health insurance away from up to 175,000 Marylanders, more than half as many as gained Medicaid coverage under the Affordable Care Act.
- Many are expected to remain eligible but lose coverage due to onerous paperwork requirements.
- Policymakers can use state resources to protect Marylanders from losing coverage, but looming multibillion-dollar deficits make this much harder.
- Between new administrative costs, unbalanced corporate tax breaks, and other harmful provisions, H.R. 1 is expected to cost the state nearly $600 million between FY 2026 and 2031.[v]

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Budget and Taxation Committee make a favorable report on Senate Bill 987.

Equity Impact Analysis: Senate Bill 987

Bill summary

Senate Bill 987 would prohibit pharmaceutical companies from deducting the cost of direct-to-consumer advertising of prescription drugs on their corporate income taxes.

Background

- Direct-to-consumer advertising of prescription drugs has been legal in the United States since 1997. Only the United States and New Zealand broadly allow this type of advertisement.
- Nationwide spending on direct-to-consumer prescription drug advertising totaled about $6 billion per year between 2016 and 2018, according to the U.S. Government Accountability Office.
- A 2013 study found that 55% of emphasized claims in a sample of prescription drug advertisements were potentially misleading, and another 2% of claims were false.

Equity Implications

The revenue raised under Senate Bill 987 would help support public services that open doors to opportunity for all Marylanders, especially those who face economic roadblocks due to centuries of racist policy choices. Corporate income taxes are also among the most equitable parts of our tax code, as built-up assets like corporate stock are overwhelmingly controlled by a small minority of the wealthiest white families.[vi]

The equity gains from Senate Bill 987 would be especially substantial if the resulting revenue were used to protect Marylanders' access to Medicaid and other sources of health insurance coverage:

- Up to 175,000 Marylanders are expected to lose Medicaid coverage under 2025 federal legislation.
- Medicaid is designed to serve people facing economic hardship, and Marylanders of color are more likely to rely on Medicaid than their white counterparts.

Share of Maryland Residents with Medicaid by Race/Ethnicity, 2019–2023	
Race/Ethnicity	**Share with Medicaid**
White	13%
Black	28%
Latinx	27%
Asian/Pacific Islander	26%
American Indian/Alaska Native	30%
Multiple	23%
Another Race/Ethnicity	21%
Total	20%
Source: MDCEP analysis of IPUMS 2019–2023 American Community Survey microdata.	

Impact

House Bill 201 would likely **improve racial and economic equity** in Maryland.

i Neeraj Sood, "Should the Government Restrict Direct-to-Consumer Prescription Drug Advertising? Six Takeaways on their Effects," USC Leonard D. Schaeffer Institute for Public Policy & Government Service, 2023, https://schaeffer.usc.edu/research/should-the-government-restrict-direct-to-consumer-prescription-drug-advertising-six-takeaways-from-research-on-the-effects-of-prescription-drug-advertising/

ii John Dicken, "Prescription Drugs: Medicare Spending on Drugs with Direct-to-Consumer Advertising," U.S. Government Accountability Office, 2021, https://www.gao.gov/products/gao-21-380

iii Adrienne Faerber and David Kreling, "Content Analysis of False and Misleading Claims in Television Advertising for Prescription and Nonprescription Drugs," *Journal of General Internal Medicine 29*(1), 2013, https://pmc.ncbi.nlm.nih.gov/articles/PMC3889958/

iv "CSRxP Analysis: Direct-to-Consumer (DTC) Pharmaceutical Advertising Spending, Tax Implications, and Impact on Prescription Drug Costs in the U.S.," The Campaign for Sustainable Rx Pricing, 2025, https://www.csrxp.org/wp-content/uploads/2025/04/CSRxP-Analysis-Direct-to-Consumer-Advertising-Report.pdf

v 2025 Spending Affordability Briefing, Department of Legislative Services, 2025,
https://dls.maryland.gov/pubs/prod/OperBgt/25_Spending_Affordability_Briefing.pdf
Assumes current law. Decoupling from costly federal tax breaks would reduce this cost.

vi Michael Leachman, Michael Mitchell, Nicholas Johnson, and Erica Williams, "Advancing Racial Equity with State Tax Policy," Center on Budget and Policy Priorities, 2018, https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy

2026 - SB 987 - Corporate Income Tax - Pharmaceuti
Uploaded by: Ken Phelps Jr
Position: FAV

MEPPN
Maryland Episcopal Public Policy Network

TESTIMONY IN SUPPORT OF SB 987

Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

FAVORABLE

TO: Senator Guy Guzzone, Chair; Senator Jim Rosapepe, Vice-Chair; and the members of the Senate Budget and Taxation Committee

FROM: Rev. Ken Phelps, Jr., member of the Maryland Episcopal Public Policy Network (MEPPN); the Episcopal Diocese of Maryland

DATE: March 11, 2026

The Episcopal Church teaches that access to quality and affordable health care is a basic human right and the Church supports those efforts to provide universal and equitable access for all. Our General Convention urges all Episcopalians to advocate for just and adequate health care policies and views this as a vital mission of the Church.

Polling shows as many as 45% of Marylanders report struggling to afford the medicines they need, with one third of Marylanders skipping a dose, rationing medication, or leaving a prescription unfilled due to cost. In the coming years, hundreds of thousands of Marylanders are expected to lose their coverage due to new administrative burdens and budget cuts from HR 1 and Congress's termination of enhanced advance premium tax credits.

Senate Bill 987 is an innovative way to address this issue, protecting consumers from the skyrocketing cost of prescription drugs while also generating revenue to help support the growing health care coverage demands of our state. This legislation mirrors federal efforts to eliminate tax deductions for direct-to-consumer advertisement by pharmaceutical manufacturers, which is expected to increase federal tax revenue by $1.5-1.7 billion annually. If scaled down to represent similar metrics at a state level, Maryland could see tens of millions of dollars in increased revenue.

Delegate Ziegler's proposed amendment would use the revenue to combat federal attacks on Marylanders' access to health coverage and help keep people covered.

wholeheartedly support the ongoing effort to put patients over Big Pharma profits. For too long, the pharmaceutical industry has claimed they need to keep their prices high for research and development while they have spent many times more on advertising and self-enriching activities. It is time that Maryland puts an end to taxpayer sponsorship of this practice and puts our patients first.

The Maryland Episcopal Public Policy Network (MEPPN) requests a FAVORABLE report

SB987 1199SEIU.pdf

Uploaded by: Loraine Arikat

Position: FAV

Testimony for Senate Bill 987

Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

Position: Favorable

To Chair Guzzone and members of the Budget and Taxation Committee,

My name is Ricarra Jones and I am the Political Director for 1199SEIU United Healthcare Workers East, Maryland/DC. We are the largest healthcare workers union in the nation, representing 10,000 members in our region in hospitals, long term care facilities, and federally qualified health centers. Our union supports SB 987 and urges the Committee to issue a **favorable** report.

Senate Bill 987 protects consumers from the skyrocketing cost of prescription drugs while also generating revenue to help support the growing health care coverage demands of our state.

1199 SEIU strongly believes that Maryland should be doing everything that it can to help people keep their health coverage. When people delay care due to lack of health care coverage, our short staffed hospitals become overburdened due to serious complications from delayed care. In the coming years, hundreds of thousands of Marylanders are expected to lose their coverage due to new administrative burdens and budget cuts from HR 1 and Congress's termination of enhanced advance premium tax credits. SB 987 will invest in Maryland Medicaid and protect Marylanders' access to health coverage.

Under HR 1 there will be new work requirements and six month redeterminations for adults who receive Medicaid through the Affordable Care Act expansion. The vast majority of these adults would qualify for an exemption or already work, yet they are still at risk of losing their Medicaid coverage due to increased red tape. Delegate Ziegler's amendment would put $5 million per year into funding Medicaid eligibility operations, which would help the State build and maintain the infrastructure to keep Marylanders from falling through the cracks and losing their Medicaid coverage. The Department of Legislative Services estimated that it would cost the state $20 million to administer these new requirements in FY 2026, $50 million in FY 2027, and $10 million in subsequent fiscal years.

For too long, the pharmaceutical industry has claimed they need to keep their prices high for research and development while they have spent many times more on advertising and self-enriching activities. It is time that Maryland puts an end to taxpayer sponsorship of this practice and puts our patients first. We urge a favorable report on Senate Bill 987

Sincerely,

Ricarra Jones | ricarra.jones@1199.org

Political Director | 1199 SEIU United Healthcare Workers East

SB0987 3:11:26 Corporate Income tax.pdf
Uploaded by: Lynn Mortoro
Position: FAV

MEPPN
Maryland Episcopal Public Policy Network

TESTIMONY IN SUPPORT OF SB0987
Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

FAVORABLE

TO: Chair Senator Guy Guzzone, Vice Chair Senator Jim Rosapepe and members of the Senate Budget and Taxation Committee.

FROM: Lynn Mortoro, member of the Maryland Episcopal Public Policy Network (MEPPN)

DATE: March 11, 2026

Dear Chair Senator Guzzone, Vice Chair Senator Rosapepe and all members of the Senate Budget and Taxation Committee

Thank you for the opportunity to write on this important bill.

It is very concerning that the Affordable Care Act, which has seen the numbers of uninsured in MD drop from 13% to 6%. That is a benefit not only to the families who are now insured, but to all of us.
People are healthier, don't need as many ER visits and recover from illnesses much more quickly. That alone saves money, never mind increases productivity.
Due to the Federal Government's actions on administrative burdens and budget cuts along with the termination of enhanced advance tax credits, people are going to no longer be able to afford the needed insurance. It is going to be disastrous for all of us, especially people who will be uninsured.

SB0897 will put $5 million preyer into funding Medicaid which will help the State to build and maintain coverage. Under HR 1, there are new work requirements and 6 month redeterminations for adults. This doesn't work, it's been demonstrated in other states. The vast majority of Marylanders are already working. The extra costs imposed by the government will decrease the State's ability to provide care to people.
SB

SB 0987 is a way to address the issue by helping to protect the skyrocketing cost of prescription drugs while generating revenue to support the growing health care coverage demands of our state.

I am a retired Registered Nurse and understand the burdens that we all face when people cannot receive care.
I am a member of the Episcopal Church which believes that we are to take care of our neighbors. This means advocating for all needs which includes the basic need of health care.

The Maryland Episcopal Public Policy Network (MEPPN) requests a FAVORABLE report

The Maryland Episcopal Public Policy Network (MEPPN) is a ministry of The Episcopal Diocese of Maryland, The Episcopal Diocese of Washington, and The Delaware-Maryland Synod ELCA

SB987 EconAction FAV.docx (1).pdf
Uploaded by: Marceline White
Position: FAV

SB987 Corporate Tax Direct to Consumer Advertising
Position: Favorable

March 11, 2026

The Honorable Guy Guzzone, Chair
Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401
Cc: Members of the Committee

Chair Guzzone and members of the Committee,

Economic Action Maryland Fund is here in strong support of HB 484.

SB987 modifies the tax deductions to drug corporations for their direct to consumer advertisements.While advertisements may serve to inform consumers about certain medicines and pharmaceuticals in the marketplace, pharmaceutical companies should not receive a tax deduction for efforts that directly benefit their bottom line.

As drafted, SB987 also states that any money saved by the state through these tax deductions should go toward supporting subsidies for Marylanders eligible for Medicaid. Economic Action serves nearly 2000 low-income Marylanders each year through our direct service programs. Medical expenses are a source of grave concern for our clients and many worry about their ability to meet eligibility requirements under the new guidelines due to computer and digital literacy concerns.

SB987 will hold pharmaceutical companies accountable while supporting Marylanders who have lost or are at risk of losing coverage.

For all these reasons, we support SB987 and urge a favorable report.

Best,

Marceline White
Executive Director

SB 987 - B&T - MHBE - LOS.docx (3).pdf
Uploaded by: Maryland State of
Position: FAV

750 E. Pratt St., 6th floor
Baltimore, MD 21202
marylandhbe.com

March 11, 2026

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
11 Bladen St.
Annapolis, MD 21401

Re: Letter of Support – SB 987 – Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

Dear Chair Guzzone and Members of the Senate Budget and Taxation Committee:

The Maryland Health Benefit Exchange (MHBE) respectfully submits this letter of support for Senate Bill (SB) 987 – Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising. The first $5 million of income tax revenue attributable to the addition modification proposed under SB 987 would be distributed to the Maryland Department of Health (MDH) for Medicaid eligibility operations, with the remaining revenue distributed to MHBE to fund Marketplace health insurance subsidies, including the State-Based Individual Subsidy Program and Young Adult Subsidy Program.

MHBE is Maryland's state-designated health insurance marketplace, responsible for the administration of the marketplace enrollment platform Maryland Health Connection (MHC) where residents can shop for and enroll in health plans, compare rates, and determine eligibility for public assistance all in one place.

MHBE currently operates three affordability programs:

1. **State Reinsurance Program (SRP)** - MHBE has operated the SRP since 2019, which has stabilized Maryland's individual health insurance market, significantly reducing premiums and increasing enrollment since its establishment. The SRP continues to keep premiums well below the national average.
2. **Young Adult Subsidy (YAS) Program** - MHBE has operated the State-Based YAS Program since 2022 (pursuant to SB 729/HB 780 in 2021, and SB 5/ HB 297 in 2025).
3. **State-Based Individual Subsidy Program** - In 2025, Maryland passed HB 1082 which required MHBE to establish a temporary State-Based Individual Subsidy Program to mitigate enrollment losses and stabilize the market in plan years (PYs) 2026-2027, contingent on expiration of federal enhanced subsidies.

There are many changes coming to the Marketplace and Medicaid program under the federal reconciliation bill (H.R. 1, or the One Big Beautiful Bill Act (OBBBA)), that will impact eligibility and affordability for many Maryland Health Connection consumers over the next few years. These Marketplace challenges are exacerbated by the expiration of the enhanced premium tax credits (ePTC) in 2026, which were introduced in 2021 through the American Rescue Plan Act (ARPA) and made health insurance more affordable and accessible over the last few years. The ePTC

MARYLAND HEALTH BENEFIT EXCHANGE

750 E. Pratt St., 6th floor
Baltimore, MD 21202
marylandhbe.com

expired on Dec. 31, 2025 creating significant affordability challenges for Maryland consumers in 2026. Thanks to the responsiveness of the General Assembly in passing HB 1082 in 2025, MHBE is operating the **State-Based Individual Subsidy Program** to provide financial help to Marylanders and help stabilize the individual market by partially replacing the expired ePTC:

- Maryland residents of any age with incomes up to 400% federal poverty level (FPL) are eligible to receive state premium subsidies, which pair with the federal premium tax credits to further lower monthly health insurance costs. Young adults continue to receive additional savings under the 2026 State Subsidy design.
- As of the end of 2026 Open Enrollment (1/15/26), around 177,000 MHC Marketplace consumers were receiving an average of $94 per month in additional state subsidy to help lower their premium costs in 2026. MHBE projected that **90,000 individuals would drop coverage in 2026** due to affordability challenges without state intervention to operate a state-based subsidy program this year, **compared to 30,000 dropping coverage with the state-subsid**y in place.
- More information on initial 2026 Individual Subsidy Program performance can be found at MHBE's January 22nd Senate Finance Briefing.[1]

All three of the state's affordability programs use the same funding source - the State's 1% Provider Assessment Fee.[2] However, we note the importance of preserving SRP funds for the purpose of funding the SRP. Based on current financial projections, the SRP has funding sufficient to provide this one-year Individual Subsidy (HB 1082) market stabilization in 2026, and remain solvent through the current 1332 waiver period ending in 2028. MHBE carefully monitors the solvency of the SRP and updates fiscal projections at least annually.[3] The expiration of enhanced ePTC is also anticipated to lead to lower federal SRP pass through, and the generosity of the 2026 **State-Based Individual Subsidy Program** cannot be sustained in the long-term. Reductions in the Individual Subsidy Program in plan years after 2026 will lead to future Marketplace enrollment losses.

While there are many affordability challenges ahead, MHBE will continue to work closely with the Maryland General Assembly and stakeholders to drive state-level innovation to improve affordability and ensure all Marylanders have access to quality and affordable healthcare. We appreciate and are supportive of any efforts to maintain funding for Marketplace subsidy programs that are dedicated to keeping Marylanders insured.

For further discussions or questions on SB 987, please contact Johanna Fabian-Marks, Deputy Executive Director at johanna.fabian-marks@maryland.gov.

Sincerely,

Michele Eberle
Executive Director

[1] MHBE January 22nd, 2026 briefing to Senate Finance Committee: https://mgaleg.maryland.gov/meeting_material/2026/fin%20-%2013413494051641 0645%20-%20Briefing%20Materials%20-%20MHBE%20and%20MIA%2001-22-26%201PM.pdf
[2] Insurance Article, Section 6-102.1, Annotated Code of Maryland
[3] Most recent SRP fund projections in MHBE's 2025 Joint Chairmen's Report: https://www.marylandhbe.com/wp-content/uploads/2025/10/2025_pg58_MHBE_Reinsurance-Program-Costs-and-Forecast.pdf

SB-987 Testimony - High Note Consulting.pdf
Uploaded by: Michael Dalto
Position: FAV

Testimony in Favor of Senate Bill 987
Before the Budget and Taxation Committee
High Note Consulting, LLC
March 11, 2026

Chair Guzzone, Vice-Chair Rosapepe, and Members of the Budget and Taxation Committee;

I am a small business owner who operates High Note Consulting, LLC, a consulting group that serves Marylanders with disabilities and agencies that support them. A significant number of my customers with disabilities are enrolled in Adult MAGI Medicaid – the coverage group that faces additional administrative burdens imposed by H.R. 1 – or pay for Qualified Health Plans through the Maryland Health Connection, and are forced to pay higher premiums due to Congress' failure to extend the enhanced premium tax credits.

Because many people with disabilities receive Medicaid through coverage groups reserved for people who are either disabled or at least 65 years old, the impact of H.R. 1 and the lapse of enhanced premium tax credits on people with disabilities is often overlooked. But many people with disabilities will be directly affected by these policies. People with severe disabilities who qualify for Social Security Disability Insurance (SSDI) must wait two years before becoming eligible for Medicare. If their SSDI benefits are limited, they may qualify for Adult MAGI Medicaid while waiting for their Medicare to start, thus preventing them from being uninsured. Many other people with disabilities do not meet Social Security's disability criteria, so although their disabilities impact their lives greatly, they do not qualify for Medicaid based on disability, and must purchase Qualified Health Plans.

SB 987 will bolster the Medicaid eligibility infrastructure to help prevent Adult MAGI Medicaid recipients from losing Medicaid due to extra paperwork. The bill will also limit the financial impact of the termination of enhanced premium tax credits on people enrolled in Qualified Health Plans. The bill's provisions will help many people with disabilities, who need good, affordable health coverage more than anyone.

Thank you for your consideration. I urge you to issue a favorable report on SB 987.

Mukta Bain_SB 987_FAV.pdf
Uploaded by: Mukta Bain
Position: FAV

Testimony in Favor of Senate Bill 987

Before the Senate Budget and Taxation Committee

By Mukta Bain

March 11, 2026

Chair Guzzone, Vice-Chair Rosapepe, and Members of the Budget and Taxation Committee, thank you for this opportunity to testify in favor of SB 987.

Years ago Medicaid covered my health insurance, and I had no worries about paying for medications, visits to my primary care provider, and my therapy sessions every two weeks. When I got a job as contact tracer II, the Baltimore County Department of Health did not provide me with health insurance and so I was grateful to be able to remain on my Medicaid coverage.

Under HR 1 there will be new work requirements and six-month redeterminations for adults who receive Medicaid through the Affordable Care Act expansion. If these new requirements had been in place when I was enrolled in Medicaid, submitting extra paperwork to track my work hours would have created extra stress during an already difficult time. I wonder if I would have been able to navigate the red tape to keep my coverage even though I was already working.

My experience shows how important it is to put systems in place to ensure that people do not fall through the cracks and lose their health coverage under HR 1. SB 987 would invest $5 million every year in Maryland's Medicaid eligibility operations to reduce the administrative burden on patients to meet the new requirements. Maryland must do everything in its power to ensure that Medicaid continues to provide health coverage to its most vulnerable residents.

Thank you very much for your leadership. I urge a favorable report on SB 987 which will help make the new HR 1 requirements as easy for Medicaid enrollees to navigate as possible.

SB0987- LWVMD-FAV-Corporate Income Tax-Addition Mo

Uploaded by: Nora Miller Smith

Position: FAV

TESTIMONY TO THE BUDGET AND TAXATION COMMITTEE

SB0987: Corporate Income Tax- Addition Modification-Direct-to-Consumer Pharmaceutical Advertising

POSITION: Support

BY: Linda Kohn, President

DATE: March 11, 2026

The League of Women Voters of Maryland is a nonpartisan organization that works to influence public policy through education and advocacy. In 1999 it adopted criteria to evaluate state revenue sources. One guideline measures compatibility of tax policy with social and environmental policy, to ensure that the state's policy and tax structure work towards the same ends, and not at cross purposes**.**

The League thus supports Senate Bill 987, which would eliminate Maryland tax deductions for costs incurred by drug companies on direct-to-consumer (DTC) prescription drug advertising.

SB 987 is similar to recent bipartisan federal legislation introduced last year. The "No Handouts for Drug Advertisements Act,"[1] (H.R. 3010) would amend the tax code to eliminate the federal tax deduction for DTC prescription drug advertising expenses. At present, drug companies are permitted to deduct the costs for DTC advertising as "ordinary and necessary" business expenses. But this advertising has far from "ordinary and necessary" consequences, as it results in enormous profits for drug companies, while driving up costs for consumers and adversely affecting patient-provider relationships.

Additional tax revenue generated by passage of SB 987 would help fund the crucial Maryland health insurance subsidy programs helping Marylanders afford health insurance, including the State-Based Health Insurance Subsidies Program, and the State-Based Young Adult Insurance Subsidies Program. Maryland's state subsidy programs are even more important now that Congress allowed premium tax credits (the Affordable Care Act program that had helped 190,000 Marylanders buy health insurance through the Health Benefit Exchange) to expire on Dec. 31, 2025.

Other tax revenue would help Maryland pay the multi-million dollar costs associated with creating the IT systems and hiring the additional health navigators needed to implement and administer the new Medicaid work requirement program and more frequent Medicaid eligibility renewals mandated by last year's federal One Big Beautiful Bill Act (H.R.1).

The additional tax revenue generated by passage of SB 987 will help fund state subsidy programs and the new administrative infrastructure needed to help more Marylanders afford and keep their health insurance. Supporting programs to ensure greater access to affordable, quality health care is a key goal of the League of Women Voters' Health Policy. The League of Women Voters of Maryland and its 2,000 members urge a favorable report on Senate Bill 987.

[1] https://murphy.house.gov/media/press-releases/murphy-introduces-legislation-eliminate-tax-deduction-drug-advertising

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410-269-0232 * info@lwvmd.org * www.lwvmd.org

PMD Testimony SB 987 3.11.2026 (1).pdf
Uploaded by: Patty Snee
Position: FAV

March 11, 2026
Testimony **in Favor** of SB 987
Progressive Maryland

Dear Chair Guzzone and Members of the Committee,

My name is Patty Snee and I'm on the staff of Progressive Maryland where I manage our state and federal healthcare justice campaigns. I'm writing to urge your support of SB 987 which will help us raise much needed revenue to fund critical health care programs and services in Maryland, in particular to support the one in four Marylanders who are covered by Medicaid.

As you know the unwarranted and steep federal budget cuts to Medicaid and the failure to extend ACA tax subsidies are triggering a health care and health cost crisis in Maryland and around the country. Hundreds of thousands of Marylanders could lose their health coverage; the Medicaid cuts will hit especially hard next year and in 2028. Republicans in Congress and the President have deliberately dealt a blow to our communities and to our ability to protect and sustain a range of healthcare services for our residents.

But our state still has power and the ability to take meaningful action on a number of fronts to find revenue.

SB 987 offers one common sense and timely action the state should legislate. Pharmaceutical corporations, who are raking in billions of dollars in profits, are currently getting a tax break on direct-to-consumer drug advertising. With over $14 billion spent in a single year on these ads, tax-payers are basically subsidizing one of the main ways patients get bombarded with unwanted, unrelenting marketing campaigns for prescription drugs *they may not even be able to afford.*

There's never been a better time for Maryland to end this taxpayer sponsorship. We should not be using state money and resources to give tax breaks to giant corporations that are making medicines unaffordable and putting healthcare treatments and services out of reach for everyday Marylanders.

SB 987/HB 484 importantly directs that the resulting funds be allocated to help patients overcome new federal hurdles to health care, including by removing red tape for Medicaid enrollees to keep their health coverage and investing in premium assistance for low-income Marylanders to be able to keep their private health coverage from Maryland Health Connection.

Please give favorable consideration to this legislation and urge your other Senate colleagues to do the same. Thanks very much for your consideration.

Sincerely,
Patty Snee
patty@progressivemaryland.org

SB 987 2026 testimony.pdf
Uploaded by: Paul Schwartz
Position: FAV

Testimony of Paul Schwartz
March 11, 2026
Budget & Taxation Committee
SB 987 – Corporate Income Tax – Addition Modification – Direct-to-Consumer Pharmaceutical Advertising

I am Paul Schwartz, National Region Vice President of the National Active & Retired Federal Employees – NARFE.

I testify today in support of SB 987

A few weeks back I testified before this committee in support of Senator Ron Watson's bill on tax relief for seniors.

During my testimony I pointed out that the next day I would be testifying about a bill dealing with a tax break for the pharmaceutical industry regarding direct-to-consumer advertising.

I pointed out then as I point out now our priorities may need a revisit if we can afford a tax break for the pharmaceutical industry on advertising, but not a tax break to help make living in Maryland a bit more affordable for seniors.

As we pointed out during last year's hearing in support of expanding the authority of the Prescription Drug Affordability Board, "In 2022 for the 10 drugs with the highest expenditures by Maryland payers, pharmaceutical companies spent $9 billion more on stock buybacks, dividends, and executive compensation than on Research & Development".

Today, over $1 Billion is spent **monthly** on pharmaceutical advertising.

"Jardiance is really swell, the little pill with the great big story to tell"

The cost of healthcare, especially the price of pharmaceuticals, in America is simply unaffordable for many Americans including many Marylanders.

With the change in administration in Washington, we cannot rely on the federal government to address this ongoing threat to Marylanders.

It is going to be up to you to look at ways for pharmaceutical companies to put more of their profits into lowering prices and less into marketing directly to the consumer rather than the medical professionals.

SB 987 does that by having “any expenses paid or incurred during the taxable year that are deducted under Section 162 of the Internal Revenue Code for Direct-to-Consumer Advertising of Covered Drugs”, to the extent excluded from federal taxable income, added to the federal taxable income of a corporation to determine Maryland modified income.

In other words, reduce the tax break in Maryland to encourage the pharmaceutical industry to spend less of their profits on Super Bowl ads and more of their profits to be reinvested in lowering prices.

Testimony in support of SB0987 - Direct-to-Consume

Uploaded by: Richard KAP Kaplowitz

Position: FAV

SB0987_RichardKap1owitz_FAV
03/11/2026
Richard Keith Kaplowitz
Frederick. MD 21703-7134

TESTIMONY ON SB#0987 - POSITION: FAVORABLE

Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

TO: Chair Guzzone, Vice Chair Rosapepe, and members of the Budget & Taxation Committee
FROM: Richard Keith Kaplowitz

My name is Richard Kaplowitz 1 am a resident of District 3, Frederick County. 1 am submitting this testimony in support of SB0987, **Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising**

The Michigan Journal of Economics opinion is that there are Ethical and Economic Implications of Pharmaceutical Direct-to-Consumer Advertising [1]

> … This recent uptick in direct-to-consumer advertising (DTCA) of pharmaceutical drugs has several negative implications, both ethical and economic in nature. Pharmaceutical companies are using this lack of regulation to capitalize on name-brand loyalty and trends of overmedication. For example, pharmaceutical direct-to-consumer advertising often encourages consumers to take more expensive, name-brand drugs rather than considering equally effective, generic drugs, which can cause drug prices to rise (Morris et al., 1986 as cited in Donohue, 2006). Generally speaking, the promotion of name-brand drugs increases the market power of dominant pharmaceutical firms. These firms can then start to lean towards monopolistic practices that can have negative impacts on the overall benefit to consumers. In short, informationally favoring premium drug brands causes rising prices, and rising prices have adverse consequences on consumers.

This unethical conduct is supported by not taxing the drug companies for the expenses they incur promoting their drugs in a method that harms consumers and healthcare for the public.

This bill will address this use of profits to negatively affect drugs being prescribed and used by the consumers. It will accomplish that by providing an addition modification under the corporate income tax for the amount of certain direct-to-consumer advertising expenses for certain covered drugs paid or incurred during the taxable year that are deducted under the Internal Revenue Code; and providing for the distribution of revenue attributable to the addition modification.

I **respectfully urge this committee to return a favorable report on SB0987.**

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[1] https://sites.lsa.umich.edu/mje/2026/01/05/opinion-ethical-and-economic-implications-of-pharmaceutical-direct-to-consumer-advertising/#:~:text=Pharmaceutical%20companies%20are%20using%20this,cited%20in%20Donohue%2C%202006).

SB 987_FAV_Laughlin_DRAFT_changes.docx.pdf
Uploaded by: Robert Laughlin
Position: FAV

TESTIMONY IN SUPPORT OF SENATE BILL 987

Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

Before the Senate Budget and Taxation Committee

By Robert Laughlin

March 11, 2026

Chair Guzzone, Vice-Chair Rosapepe, and Members of the Senate Budget and Taxation Committee, thank you for this opportunity to testify in support of Senate Bill 987.

Thanks to your leadership, Maryland created the Young Adult Subsidy Program which for over four years has helped lower-income young adults ages 18-34 purchase health coverage. This premium assistance program has been a lifeline to thousands of young adults, including myself, who struggle to afford quality health insurance. Though I have two jobs working in a restaurant and doing HVAC installation, neither job offers health insurance and I buy my health insurance from Maryland Health Connection. The state program has lowered my monthly premiums significantly, reduced my deductible by thousands of dollars, and improved my access to healthcare greatly. Before this program I was paying for an expensive plan that did not give me much coverage. I had a high deductible and was paying hundreds of dollars for visits to specialists. If I had needed to go to the emergency room, or needed other expensive treatment, I would have been put into thousands of dollars of debt. Most importantly, the premium assistance provided me with preventative care for elevated cholesterol which would have otherwise gone unnoticed.

Now, my health insurance coverage and that of millions of other Americans and tens of thousands of other Marylanders is under attack by the failure of the US Congress to extend the federal enhanced premium assistance program which expired at the end of 2025. Luckily, I live in Maryland where the State Based Subsidy Program that you passed last year and Governor Moore signed into law makes up for this gap in my premium assistance. Unfortunately, this Maryland back-up plan is only for one year. If Congress does not act this year to extend the enhanced premium assistance, which is very unlikely, and if you don’t provide additional resources for the young adult and state-based subsidy programs my premiums will skyrocket next year and I will likely have to drop my health insurance coverage.

SB 987 would eliminate tax deductions for direct-to-consumer advertisement by pharmaceutical manufacturers. Funds from this legislation above $5 million per year would go toward premium assistance. This would help ensure that myself and many others keep the benefits that we have enjoyed for the past four years. Easy access to affordable healthcare has made it possible for Marylanders to stay healthy and productive without fear of financial ruin from expensive medical bills. This law is not only important for the health and wellbeing of enrollees, but it has significant economic benefits for Maryland. By providing affordable healthcare to young and low-income adults, we can help to reduce the overall cost of healthcare in the state. This will lead to a healthier workforce, reduced absenteeism, and increased productivity.

I thank Senator Lewis Young for sponsoring this legislation. I urge a favorable report for SB 987.

SB987_FAV_BMNCBV_CONNER.pdf
Uploaded by: Sandra Conner
Position: FAV

Baptist Ministers' Night Conference of Baltimore *and* Vicinity (BMNCBV)

5405 York Road, Baltimore, Maryland 21212, (443) 386.4739

TESTIMONY IN SUPPORT OF SENATE BILL 987
BEFORE THE SENATE BUDGET AND TAXATION COMMITTEE

BY REV. DR. SANDRA CONNER, PRESIDENT, BMNCBV
MARCH 11, 2025

Chair Guzzone, Vice-Chair Rosapepe, and Members of the Budget and Taxation Committee, thank you for the opportunity to submit supportive testimony for SB 987, and special thank you to Senator Karen Lewis Young for sponsoring this legislation. The Baptist Ministers' Night Conference of Baltimore and Vicinity is an organization that strives to equip both community and faith leaders with resources to do effective health ministries for the members they serve. Our affiliations, including membership are greater than 200 organizations, consisting of faith and community-based organizations, healthcare providers, civic and government entities, businesses, etc., [this number does not include individual organization membership (constituent) totals].

As faith leaders and laypersons, we know from our congregants how important it is for Medicaid to provide quality health care for the most vulnerable populations in Maryland. SB 987 would invest $5 million each year into Medicaid eligibility operations to help ensure that Marylanders do not lose their Medicaid coverage as they navigate new HR 1 work reporting requirements and six-month redeterminations starting in 2027.

With rising health insurance costs, we also know how important it is for residents of Maryland to be able to receive premium assistance to purchase private health coverage if they are not able to enroll in Medicaid, Medicare, or employer-sponsored coverage. SB 987 would support state premium assistance programs which is especially important now that the federal government has terminated enhanced advance premium tax credits.

The U.S. is one of only two countries that allows direct-to-consumer prescription drug advertising and pharmaceutical corporations spend much more on advertising than they do on research and development. SB 987 would put patient health over pharmaceutical corporation profits. Maryland must do everything possible to protect our vulnerable residents. We pray that our legislators will heed our call and give a favorable report for SB 987.

SB 987 Corporate Income Tax - Addition Modificatio
Uploaded by: Sara Westrick
Position: FAV

AARP Maryland

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SB 987 Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising
Senate Budget and Taxation Committee
March 11, 2026
FAVORABLE

Good afternoon, Chair Guzzone, Vice Chair Rosapepe, and members of the Budget and Taxation Committee. Thank you for the opportunity to submit testimony in support of Senate Bill 987. We thank Senator Lewis Young for sponsoring this legislation.

My name is Sara Westrick, Advocacy Director for AARP Maryland, one of the largest membership-based organizations in the state, with approximately 850,000 members. We represent the interests of Maryland's over 50 population and bring the lived experiences, concerns, and priorities of our members to the discussion table, ensuring that policy decisions reflect the needs of older adults.

SB 987 creates a new corporate income tax requiring certain pharmaceutical companies to add back expenses related to direct-to-consumer (DTC) advertising for prescription drugs when calculating Maryland taxable income.

This policy is both timely and urgently needed, particularly in light of the drastic impacts on Maryland Medicaid from the federal HR1 legislation, which has placed the program under enormous fiscal pressure. As a result of federal reductions and cost-shifting provisions, Maryland is now facing higher administrative burdens, increases in costs with fewer federal dollars available, and greater volatility, with Marylanders likely cycling on and off Medicaid, increasing program churn and downstream costs.

Without new, reliable state revenue sources, Maryland risks losing ground on affordability, access, and continuity of care. To that end, SB 987 offers a fiscally responsible solution that does not burden Maryland families or small businesses. By requiring large pharmaceutical manufacturers and outsourcing facilities to add back their federal tax deduction for direct-to-consumer drug advertising, Maryland can recapture revenue from a sector that spends billions annually on consumer advertising campaigns. This also aligns tax policy with public health priorities, discouraging marketing practices that can drive up unnecessary utilization and overall drug spending. In addition, the bill ensures that the revenue collected is used directly to stabilize the state's health coverage system.

This bill does not tax drug development, manufacturing, or research. It targets only the advertising deductions that currently allow drug companies to reduce their taxable income with expenses that do not directly contribute to innovation or patient care.

Most importantly, the bill dedicates the foreseen revenue to two critical areas: 1) Medicaid Eligibility Operations and 2) Maryland Health Benefit Exchange Subsidy Programs.

SB 987 would invest $5 million per year into Medicaid eligibility operations, which could be used to improve IT systems and support navigator assistance to help seniors and their caregivers navigate the new administrative requirements. New Medicaid administrative requirements under HR 1 will disproportionately harm older adults starting in 2027, when there will be new work-reporting requirements and six-month redeterminations for adults receiving Medicaid through the Affordable Care Act expansion.

In Maryland, most Medicaid recipients are either working or have valid reasons for not working, such as attending school, serving as a caregiver, or having a disability.[1] However, in states that have already instituted work reporting requirements, eligible recipients have fallen through the cracks and lost their coverage due to the increased bureaucratic hurdles. Older adults ages 50-64 are particularly at risk as they face higher rates of disability and greater health care needs. In addition, family caregivers for seniors will face more paperwork to maintain their own health coverage, putting the well-being of the older adults in their care at risk. SB 987 would help reduce red tape and ensure adequate staffing to help Medicaid recipients navigate the new requirements to they can keep their health coverage.

SB 987 would also help reduce premiums for families who purchase coverage on the individual market and ensure Marylanders can get necessary health care. Congress's termination of the enhanced federal tax credits for private health coverage is already disproportionately harming adults ages 50-64. This age group accounts for about half of individual market enrollees with incomes above 400 percent of the federal poverty level, meaning their premium assistance has been eliminated. Age-based rating also means that costs are much higher for older adults than for younger enrollees in the same income bracket, even for adults who are still eligible for some premium assistance and are under 400% of the federal poverty level. Many enrollees ages 50-64 were already enrolled in one of the lowest-premium plans available to them before the federal cuts to tax credits, which means their ability to downgrade to a lower-cost plan is limited. All of this means that older adults have been losing access to quality, affordable health coverage, often when they need it the most. SB 987 would provide much-needed relief.

In a year when the HR1 bill created extraordinary fiscal and operational challenges for Maryland Medicaid, SB 987 provides the state with a sustainable tool to protect health coverage, support vulnerable populations, and ensure people can access the health care they need.

For all these reasons, AARP Maryland urges the committee to give a favorable report on SB 987.

If you have any questions, please contact Sara Westrick, AARP Maryland Advocacy Director, at swestrick@aarp.org or by phone at 410-310-0374.

[1] Natalie Kean and Gelila Selassie, "Work Requirements Would Cut Medicaid for Older Adults," *Justice in Aging*, June 24, 2025, https://justiceinaging.org/fact-sheet-work-requirements-would-cut-medicaid-for-older-adults.

March 11 2026 Public Citizen testimony.pdf
Uploaded by: Sarah Karlin-Smith
Position: FAV

PUBLIC CITIZEN

1600 20th Street, NW • Washington, D.C. 20009 • 202/588-1000 • www.citizen.org

Testimony in Favor of Senate Bill 987
Before the Budget and Taxation Committee
Public Citizen
March 11, 2026

Chair Guzzone, Vice-Chair Rosapepe, and Members of the Budget and Taxation Committee;
Public Citizen is a nonprofit consumer advocacy organization with more than one million members and supporters throughout the U.S., including many members in Maryland. Public Citizen's Access to Medicines Program works with partners across the U.S. and around the world to make medicines available for all through tools in policy and law.

We support Maryland's proposal to eliminate the state's tax deduction for direct-to-consumer pharmaceutical advertising, a move Public Citizen estimates could generate nearly $24 million annually to spend on health care. [1]

It is not in Maryland's best interest to subsidize prescription drug advertising activities.

As one of only two countries that allows direct-to-consumer pharmaceutical advertising, the United States is an outlier. These ads, which are largely viewed as a public annoyance to television audiences, can cause harm by driving up health care costs and compromising provider-patient relationships.

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[1] Our estimated range is $10.2 million to $23.46 million a year. The low end of the range relies on estimates of DTC ad spend that are nearly a decade old and likely too low. However, there are some sources indicating current DTC ad spend may be even higher than the estimate we used for the higher range.

For the low end of the range: We used this 2021 GAO report that estimated about $6 billion in annual DTC spend for 553 drugs. We divided the $6 billion by 50 to come up with Maryland's share of that which is $120 million. Maryland's population was ranked 18th in the nation in the 2020 census so possible a share that is larger than 1/50th would apply but there isn't any readily available source of what percentage of U.S. income drug companies make per state and some evidence to indicate this is probably reasonable or maybe a slight overestimate.

We then applied the 8.5% Maryland corporate tax rate to $120 million to get to $10.2 million.

High-end of range: There are several sources indicating that U.S. pharma DTC ad spend has risen quite a bit since GAO performed their study. For a higher end estimate we used this $13.8 billion data point from CSRxP which is 2023 DTC spend.

If you do the same calculation we did above with $13.8 billion (divide by 50 and then multiply by 0.085) you get $23.46 million.

Direct-to-consumer pharma advertising is associated with increased patient requests and prescriptions for higher-cost drugs, when more cost-effective options including generics exist. Further, most pharma television advertising is spent on products with low therapeutic value to patients.

While the drug industry typically only advertises a fraction of available medicine, advertised drugs contribute disproportionately to drug spend. A 2021 U.S. Government Accountability report tracking DTC ad trends from 2016 to 2018, found that the Medicare program and its beneficiaries spent more than half of total Medicare Parts B and D spending on advertised prescription drugs during that period. In recent years the drug industry has expanded its DTC tactics. Manufacturers are increasingly using advertisements to connect patients with telehealth providers whom they fund and are likely to prescribe the pharma's medication. The drug company then directly facilitates access to the medication. These practices raise new concerns about potentially inappropriate patient steering to high cost drugs, that also impedes the government's ability to lower drug costs.

Senate Bill 987 is an innovative way to address this problem, protecting consumers from the skyrocketing cost of prescription drugs while also generating revenue to help support the growing health care coverage demands of Maryland.

Under your Committee's leadership we have made great gains in Maryland in expanding access to quality, affordable health care for all Marylanders. Since the passage of the Affordable Care Act (ACA) we have gone from 13% of Marylanders being uninsured to 6%. Keeping Marylanders insured ultimately helps all of us because when Marylanders lose their health coverage, they often have to get their care in the emergency room which is the most expensive place possible. The resulting uncompensated care drives up everyone's health insurance premiums. Expanding access to health coverage in Maryland has resulted in $460 million in savings to the health care system which helped stabilize premiums for everybody.

However, in the coming years hundreds of thousands of Marylanders could lose their coverage due to new administrative burdens and budget cuts from HR 1 and Congress's termination of enhanced advance premium tax credits. The resulting uncompensated care will cause everyone's health insurance premiums to rise. None of us can afford for Marylanders to lose coverage.

SB 987 would combat federal attacks on Marylanders' access to health coverage, and help keep people covered. Under HR 1 there will be new work requirements and six-month redeterminations for adults who receive Medicaid through the ACA expansion. We know from examples in other states that work requirements don't increase employment. In Maryland the vast majority of Medicaid recipients are already working or have a reason not to be like going to school or serving as a caregiver or having a disability, but the added administrative burden could cause them to fall off their Medicaid coverage, ironically making it less likely that people will be able to stay healthy enough to work.

SB 987 would put $5 million per year into funding Medicaid eligibility operations, which would help the State build and maintain the infrastructure to keep Marylanders from falling through the cracks and losing their Medicaid coverage. Investing in IT systems to use the data the state already has to verify eligibility can simplify the enrollment and re-enrollment process for Medicaid participants and state employees alike. Navigators, working in local communities across the state, were critical in helping Marylanders get enrolled in health coverage during the rollout of the ACA. Using this successful strategy again by investing in navigators in local health departments can help prevent Marylanders from losing coverage due to the new administrative requirements and provide individualized support. Investing in eligibility operations reduces the risk that people will lose coverage due to paperwork issues.

SB 987 would put funds above $5 million into premium assistance programs that Maryland Health Benefit Exchange would use to protect Marylanders' access to coverage. Due to Congress's termination of enhanced premium tax credits, many Marylanders who purchase private health coverage from Maryland Health Benefit Exchange are experiencing spiking health insurance premium costs, or are at risk for higher costs in the future. In 2025 Maryland wisely created the State Based Individual Subsidy Program to mitigate enrollment losses and stabilize the marketplace. This builds on the Young Adult Subsidy Program which has been in place since 2022 and helps stabilize the marketplace by bringing younger and healthier Marylanders into the marketplace. These programs have been lifesavers for Marylanders to be able to continue to afford their coverage. However, these programs are at risk due to lack of future funding. If they shrink or are discontinued even more Marylanders will lose their ability to pay for health insurance.

We thank Senator Karen Lewis Young and Delegate Natalie Ziegler for their leadership on this issue and wholeheartedly support the ongoing effort to put patients over Big Pharma profits. For too long, the pharmaceutical industry has claimed they need to keep their prices high for research and development while they have spent many times more on advertising and self-enriching activities. It is time that Maryland puts an end to taxpayer sponsorship of this practice and puts our patients first. Please protect the progress that we as a state have made expanding access to quality, affordable health care for all Marylanders.

We thank the Committee for your consideration of this legislation and urge a favorable report on Senate Bill 987.

SB 987 - B&T - MHBE - LOS.docx (2).pdf

Uploaded by: State of Maryland (MD)

Position: FAV

750 E. Pratt St., 6th floor
Baltimore, MD 21202
marylandhbe.com

March 11, 2026

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
11 Bladen St.
Annapolis, MD 21401

Re: Letter of Support – SB 987 – Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

Dear Chair Guzzone and Members of the Senate Budget and Taxation Committee:

The Maryland Health Benefit Exchange (MHBE) respectfully submits this letter of support for Senate Bill (SB) 987 – Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising. The first $5 million of income tax revenue attributable to the addition modification proposed under SB 987 would be distributed to the Maryland Department of Health (MDH) for Medicaid eligibility operations, with the remaining revenue distributed to MHBE to fund Marketplace health insurance subsidies, including the State-Based Individual Subsidy Program and Young Adult Subsidy Program.

MHBE is Maryland's state-designated health insurance marketplace, responsible for the administration of the marketplace enrollment platform Maryland Health Connection (MHC) where residents can shop for and enroll in health plans, compare rates, and determine eligibility for public assistance all in one place.

MHBE currently operates three affordability programs:

1. **State Reinsurance Program (SRP)** - MHBE has operated the SRP since 2019, which has stabilized Maryland's individual health insurance market, significantly reducing premiums and increasing enrollment since its establishment. The SRP continues to keep premiums well below the national average.
2. **Young Adult Subsidy (YAS) Program** - MHBE has operated the State-Based YAS Program since 2022 (pursuant to SB 729/HB 780 in 2021, and SB 5/ HB 297 in 2025).
3. **State-Based Individual Subsidy Program** - In 2025, Maryland passed HB 1082 which required MHBE to establish a State-Based Individual Subsidy Program to mitigate enrollment losses and stabilize the market in plan years (PYs) 2026-2027, contingent on expiration of federal enhanced subsidies.

There are many changes coming to the Marketplace and Medicaid program under the federal reconciliation bill (H.R. 1, or the One Big Beautiful Bill Act (OBBBA)), that will impact eligibility and affordability for many Maryland Health Connection consumers over the next few years. These Marketplace challenges are exacerbated by the expiration of the enhanced premium tax credits (ePTC) in 2026, which were introduced in 2021 through the American Rescue Plan Act (ARPA) and made health insurance more affordable and accessible over the last few years. The ePTC expired on Dec. 31, 2025 creating significant affordability challenges for Maryland consumers in

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2026. Thanks to the responsiveness of the General Assembly in passing HB 1082 in 2025, MHBE is operating the **State-Based Individual Subsidy Program** to provide financial help to Marylanders and help stabilize the individual market by partially replacing the expired ePTC:

- Maryland residents of any age with incomes up to 400% federal poverty level (FPL) are eligible to receive state premium subsidies, which pair with the federal premium tax credits to further lower monthly health insurance costs. Young adults continue to receive additional savings under the 2026 State Subsidy design.
- As of the end of 2026 Open Enrollment (1/15/26), around 177,000 MHC Marketplace consumers were receiving an average of $94 per month in additional state subsidy to help lower their premium costs in 2026. MHBE projected that **90,000 individuals would drop coverage in 2026** due to affordability challenges with state intervention to operate a state-based subsidy program this year, **compared to 30,000 dropping coverage with the state-subsid**y in place.
- More information on initial 2026 Individual Subsidy Program performance can be found at MHBE's January 22nd Senate Finance Briefing.[1]

All three of the state's affordability programs use the same funding source - the State's 1% Provider Assessment Fee.[2] However, we note the importance of preserving SRP funds for the purpose of funding the SRP. Based on current financial projections, the SRP has funding sufficient to provide this one-year Individual Subsidy (HB 1082) market stabilization in 2026, and remain solvent through the current 1332 waiver period ending in 2028. MHBE carefully monitors the solvency of the SRP and updates fiscal projections at least annually.[3] The expiration of enhanced ePTC is also anticipated to lead to lower federal SRP pass through, and the generosity of the 2026 **State-Based Individual Subsidy Program** cannot be sustained in the long-term. Reductions in the Individual Subsidy Program in plan years after 2026 will lead to future Marketplace enrollment losses. While there are many affordability challenges ahead, MHBE will continue to work closely with the Maryland General Assembly and stakeholders to drive state-level innovation to improve affordability and ensure all Marylanders have access to quality and affordable healthcare. We appreciate and are supportive of any efforts to maintain funding for Marketplace subsidy programs that are dedicated to keeping Marylanders insured.

For further discussions or questions on SB 987, please contact Johanna Fabian-Marks, Deputy Executive Director at johanna.fabian-marks@maryland.gov.

Sincerely,

Michele Eberle
Executive Director

[1] MHBE January 22nd, 2026 briefing to Senate Finance Committee: https://mgaleg.maryland.gov/meeting_material/2026/fin%20-%2013413494051641064 5%20-%20Briefing%20Materials%20-%20MHBE%20and%20MIA%2001-22-26%201PM.pdf
[2] Insurance Article, Section 6-102.1, Annotated Code of Maryland
[3] Most recent SRP fund projections in MHBE's 2025 Joint Chairmen's Report: https://www.marylandhbe.com/wp-content/uploads/2025/10/2025_pg58_MHBE_Reinsurance-Program-Costs-and-Forecast.pdf

Anne Arundel County _FAV_SB987.pdf
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Position: FAV

ANNE ARUNDEL COUNTY
MARYLAND
County Executive Steuart Pittman

March 11, 2026

Senate Bill 987
Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

Senate Budget and Taxation Committee

Position: FAVORABLE

Anne Arundel County **SUPPORTS** Senate Bill 987 – Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising. This Bill proposes a corporate income tax addition modification for previously deducted direct-to-consumer advertising expenses and distributes the fund to support Medicaid eligibility operations and health insurance subsidy programs.

The United States, as one of only two countries that allows direct-to-consumer pharmaceutical advertising, sees over $14 billion spent annually on these advertisements. However, direct-to-consumer pharmaceutical advertising is widely viewed as a public annoyance; repeated, unwanted marketing not only damages patient-provider relationships but also ultimately forces taxpayers to bear the costs through tax deductions. Affordable healthcare access for hundreds of thousands of Marylanders is already at risk due to new administrative burdens and congressional budget cuts, potentially leading to the loss of their coverage. SB 987 would use the revenue attributable to the addition modification of direct–to–consumer advertising expense deduction to invest $5 million annually in Medicaid eligibility operations. Helping the State build and maintain the infrastructure that simplifies the enrollment and re-enrollment process will prevent Marylanders from losing coverage due to the new administrative requirements. No one should lose their coverage simply because of paperwork issues. Additional revenue generated would fund premium assistance programs to help stabilize costs for many Marylanders who purchase private health coverage from Maryland Health Benefit Exchange.

Taxpayer money should place Marylanders first and invest in our healthcare system, not to subsidize pharmaceutical corporate marketing. This Bill offers an innovative solution that addresses both the direct-to-consumer pharmaceutical advertising issue and the fiscal challenge Maryland healthcare and insurance programs face. For those reasons, Anne Arundel County respectfully requests a **FAVORABLE** report on Senate Bill 987.

Ethan Hunt, Director of Government Affairs Phone: 410-222-3687 Email:exhunt23@aacounty.org

MCHI Testimony In Favor of SB 987-compressed.pdf
Uploaded by: Vincent DeMarco
Position: FAV

MARYLAND Health Care FOR All

Testimony in Favor of Senate Bill 987
Before the Senate Budget and Taxation Committee
By Vincent DeMarco,
President, Maryland Citizens' Health Initiative
March 11, 2026

Chair Guzzone, Vice Chair Rosapepe, and Members of the Budget and Taxation Committee;

Thank you for the opportunity to testify on Senate Bill 987. I am submitting this testimony on behalf of our individual organization, Maryland Citizens' Health Initiative, as we have not yet reviewed this bill with the full Maryland Health Care for All Coalition. Because this legislation will help meet critical health care needs in our state, we strongly urge you to give SB 987 a favorable report. Thank you very much to Senator Karen Lewis Young for sponsoring it.

Under your Committee's leadership we have made great gains in Maryland in expanding access to quality, affordable health care for all Marylanders. Since the passage of the Affordable Care Act (ACA) we have gone from 13% of Marylanders being uninsured to 6%. Keeping Marylanders insured ultimately helps all of us because when Marylanders lose their health coverage, they often have to get their care in the emergency room which is the most expensive place possible. The resulting uncompensated care drives up everyone's health insurance premiums. Expanding access to health coverage in Maryland has resulted in $460 million in savings to the health care system which helped stabilize premiums for everybody.

However, in the coming years hundreds of thousands of Marylanders could lose their coverage due to new administrative burdens and budget cuts from HR 1 and Congress's termination of enhanced advance premium tax credits. The resulting uncompensated care will cause everyone's health insurance premiums to rise. None of us can afford for Marylanders to lose coverage.

SB 987 would combat federal attacks on Marylanders' access to health coverage, and help keep people covered. Under HR 1 there will be new work requirements and six-month redeterminations for adults who receive Medicaid through the ACA expansion. We know from examples in other states that work requirements don't increase employment. In Maryland the vast majority of Medicaid recipients are already working or have a reason not to be like going to school or serving as a caregiver or having a disability, but the added administrative burden could cause them to fall off their Medicaid coverage, ironically making it less likely that people will be able to stay healthy enough to work.

SB 987 would put $5 million per year into funding Medicaid eligibility operations, which would help the State build and maintain the infrastructure to keep Marylanders from falling through the cracks and losing their Medicaid coverage. Investing in IT systems to use the data the state already has to verify eligibility can simplify the enrollment and re-enrollment process for Medicaid participants and state employees alike. Navigators, working in local communities across the state, were critical in helping Marylanders get enrolled in health coverage during the rollout of the ACA. Using this successful strategy again by investing in navigators in local health departments can help prevent Marylanders from losing coverage due to the new administrative

requirements and provide individualized support. Investing in eligibility operations reduces the risk that people will lose coverage due to paperwork issues.
SB 987 would put funds above $5 million into premium assistance programs that Maryland Health Benefit Exchange would use to protect Marylanders' access to coverage. Due to Congress's termination of enhanced premium tax credits, many Marylanders who purchase private health coverage from Maryland Health Benefit Exchange are experiencing spiking health insurance premium costs, or are at risk for higher costs in the future. In 2025 Maryland wisely created the State Based Individual Subsidy Program to mitigate enrollment losses and stabilize the marketplace. This builds on the Young Adult Subsidy Program which has been in place since 2022 and helps stabilize the marketplace by bringing younger and healthier Marylanders into the marketplace. These programs have been lifesavers for Marylanders to be able to continue to afford their coverage. However, these programs are at risk due to lack of future funding. If they shrink or are discontinued even more Marylanders will lose their ability to pay for health insurance.

As one of only two countries that allows direct-to-consumer pharmaceutical advertising, the United States is an outlier. These ads, which are largely viewed as a public annoyance to television audiences, can actually do harm by driving up health care costs and compromising provider-patient relationships. With over $14 billion spent in a single year on these advertisements, tax-payers are footing the bill for patients to be flooded with unwanted, repeated exposure to marketing for prescription drugs they may not be able to afford.
Senate Bill 987 is an innovative way to address this issue, protecting consumers from the skyrocketing cost of prescription drugs while also generating revenue to help support the growing health care coverage demands of our state. This legislation mirrors federal efforts to eliminate tax deductions for direct-to-consumer advertisement by pharmaceutical manufacturers, which is expected to increase federal tax revenue by $1.5-1.7 billion annually. If scaled down to represent similar metrics at a state level, Maryland could see tens of millions of dollars in increased revenue.

We thank Senator Karen Lewis Young and Delegate Natalie Ziegler for their leadership on this issue and wholeheartedly support the ongoing effort to put patients over Big Pharma profits. For too long, the pharmaceutical industry has claimed they need to keep their prices high for research and development while they have spent many times more on advertising and self-enriching activities. (Report by Public Citizen attached) It is time that Maryland puts an end to taxpayer sponsorship of this practice and puts our patients first. Please protect the progress that we as a state have made expanding access to quality, affordable health care for all Marylanders.

We thank the Committee for your consideration of this legislation and urge a favorable report on Senate Bill 987.

PROFITS OVER PATIENTS

Spending on Self-Enrichment Exceeds Research and Development Costs for Many Manufacturers of IRA Drugs

By Jishian Ravinthiran

January 18, 2024

PROTECT OUR CARE

PUBLIC CITIZEN

ACKNOWLEDGMENTS

This report was written by Jishian Ravinthiran in Public Citizen's Access to Medicine's Program. Alan Zibel, Megan Whiteman, and Peter Maybarduk edited the report.

ABOUT PUBLIC CITIZEN

Public Citizen is a national nonprofit organization with more than 500,000 members and supporters. We represent consumer interests through lobbying, litigation, administrative advocacy, research, and public education on a broad range of issues including consumer rights in the marketplace, product safety, financial regulation, worker safety, safe and affordable health care, campaign finance reform and government ethics, fair trade, climate change, and corporate and government accountability.

ABOUT PROTECT OUR CARE

Protect Our Care is dedicated to making high-quality, affordable, and equitable health care a right, and not a privilege, for everyone in America. We educate the public, influence policy, support health care champions and hold politicians accountable.

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Executive Summary

The federal and state governments are taking significant steps to deliver much-needed drug pricing relief to millions of Americans. Measures include a historic provision in the Inflation Reduction Act allowing Medicare to negotiate prices for select drugs, draft executive guidance to license generic competition on taxpayer funded drugs, and state Prescription Drug Affordability Boards with the power to limit expenditures on drugs. But as governments rise to the challenge of tackling the decades long problem of excessive drug prices, the pharmaceutical industry raises significant opposition to insulate its profiteering from popular measures. Chief among their claims is that regulating drug prices will reduce industry profits, and thus capacity to invest in the research and development of new medicines. But that claim is belied by these corporations' own expenditures on self-enriching activities, including stock buybacks, dividends to shareholders, and executive compensation, that far exceed their investments in innovation.

- The manufacturers of the first 10 drugs selected for Medicare price negotiation, in aggregate, spent $10 billion more on self-enriching activities than on research and development in 2022.

- For manufacturers of the 10 drugs with the highest expenditures by Maryland payers, including Medicare, Medicaid, and certain commercial insurance plans, companies spent $9 billion more on stock buybacks, dividends, and executive compensation than on research and development expenses in 2022.

- Executive compensation for the manufacturers of the drugs selected for Medicare price negotiation exceeded half a billion dollars in just 2022. The same is true for executive compensation for the manufacturers of the 10 costliest drugs in Maryland. Most of this compensation is keyed to stock prices, which incentivizes short-term measures to inflate share prices, such as stock buybacks, rather than long-term investments in researching and developing new drugs.

Introduction

Price gouging on essential medicines harms the health of millions of Americans every year. In 2021, approximately 9.2 million Americans were unable to take medications as prescribed due to costs.[1] People with disabilities were three times more likely to be unable to take medications as prescribed due to these cost barriers.[2] Nearly one in four uninsured Americans skipped doses, took less medication, or delayed filling a prescription because of costs.[3] Data from 2023 shows that three in ten Americans have not taken their medications as prescribed due to costs, 82% of Americans say the cost of prescription drugs is unreasonable, and 73% say that the government is not doing enough to regulate drug prices.[4]

Considering this drug pricing crisis, the federal and state governments have taken significant steps to make high-cost drugs more affordable and deliver relief for patients everywhere. Several states, starting with Maryland in 2019, have established Prescription Drug Affordability Boards, which are charged with analyzing the excessive costs of prescription drugs and identifying solutions to medicine inaccessibility. Four of these states—Colorado, Maryland, Minnesota, and Washington—have empowered their Boards to set upper payment limits for the purchase of certain prescription drugs.[5] At the federal level, Congressional Democrats passed and President Biden signed into law the Inflation Reduction Act, which includes a provision allowing Medicare Part D to negotiate the price of select drugs for the first time in the program's 20-year history.[6] The law also capped the out-of-pocket costs for insulin at $35 per month for Medicare enrollees and annual out-of-pocket expenses for prescription drugs at $2,000.[7] More recently, the Biden administration announced draft guidance that would empower federal agencies to license

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[1] Laryssa Mykyta, and Robin A. Cohen, Centers for Disease Control and Prevention, National Center for Health Statistics, *Characteristics of Adults Aged 18–64 Who Did Not Take Medication as Prescribed to Reduce Costs: United States, 2021*, NCHS DATA BRIEF NO. 470 (June 2023).

[2] *Id.* at 2.

[3] *Id.* at 3.

[4] Ashley Kirzinger, Alex Montero, Grace Sparks, Isabelle Valdes, & Liz Hamel, *Public Opinion Prescription Drugs and Their Prices*, KFF (Aug. 21, 2023), https://www.kff.org/health-costs/poll-finding/public-opinion-on-prescription-drugs-and-their-prices/.

[5] *See e.g.*, CO. Senate Bill 21-175, Sec. 10-16-1407; Md. Code, Health-Gen. § 21-2C-14; Minn. Sess. L. 2023 Ch. 57, art. 2, Sec. 35; Rev. Code Wash. 70.405.050.

[6] The White House, *FACT SHEET: Biden-Harris Administration Announces First Ten Drugs Selected for Medicare Price Negotiation*, STATEMENTS & RELEASES (Aug. 29, 2023), https://www.whitehouse.gov/briefing-room/statements-releases/2023/08/29/fact-sheet-biden-harris-administration-announces-first-ten-drugs-selected-for-medicare-price-negotiation/.

[7] Centers for Medicare & Medicaid, *Anniversary of the Inflation Reduction Act: Update on CMS Implementation*, CMS.GOV (Aug. 16, 2023), https://www.cms.gov/newsroom/fact-sheets/anniversary-inflation-reduction-act-update-cms-implementation.

generic competition to make taxpayer-funded medicines more affordable where drug manufacturers price the medicine excessively.[8]

The pharmaceutical industry has been staunchly opposed to popular reforms designed to constrain their unreasonable profiteering on medicines. The industry has criticized Prescription Drug Affordability Boards, the Inflation Reduction Act's provisions on price negotiation, and the Biden administration's framework for licensing generic competition on taxpayer funded medicines, with most concerns being funneled into the claim that any attempts to rein in their price-gouging tactics will impact the research and development of new medicines.[9]

That claim is flawed for several reasons. First, researchers and the Congressional Budget Office conclude there is no connection between a drug's research and development cost and its future price.[10] Rather, the current price of drugs reflects what companies believe the market will bear in response to their monopolistic pricing power.[11] Second, compared to the rest of the globe, the United States is an outlier that does little to protect its residents from the unfair pricing power of drug companies,[12] and bringing American policy into alignment with those of other countries, including other high-income peers, will not destroy the incentive to innovate new medicines.

[8] *NIST Releases for Public Comment Draft Guidance on March-In Rights*, https://www.nist.gov/news-events/news/2023/12/nist-releases-public-comment-draft-guidance-march-rights (last visited Dec. 12, 2023).

[9] *See* PhRMA, *States Can Help Patients Pay Less for Their Medicines*, STATE POLICIES AND ISSUES, https://phrma.org/en/States (last visited Jan. 11, 2023); PhRMA, INFLATION REDUCTION ACT'S UNINTENDED CONSEQUENCES,https://phrma.org/inflation-reduction-act?utm_campaign=2024-q1-pri-v6&utm_medium=pai_srh_cpc-ggl-adf&utm_source=ggl&utm_content=clk-pat-v6-v6-v6-all-pai_srh_cpc-ggl-adf-IRAEvergreenSearchWCNational1-evg-v6-v6-lrm-soc_txt-v6-vra-adf&utm_term=inflation%20reduction%20act&utm_campaign=&utm_source=adwords&utm_medium=ppc&hsa_acc=8523309176&hsa_cam=20882819512&hsa_grp=158617381844&hsa_ad=685220095153&hsa_src=g&hsa_tgt=kwd-1705916798609&hsa_kw=inflation%20reduction%20act&hsa_mt=b&hsa_net=adwords&hsa_ver=3&gad_source=1&gclid=Cj0KCQiAwP6sBhDAARIsAPfK_wZ3PhDU-6cvBxNUI9JVXtfl-nZch3LOEQIJQA2j_rY2LRRBqHdL7fQaAkKjEALw_wcB (last visited Jan. 11, 2024); *PhRMA Statement on Proposed March-In Framework* , PHRMA (Dec. 6, 2023), https://phrma.org/resource-center/Topics/Access-to-Medicines/PhRMA-Statement-on-Proposed-March-In-Framework.

[10] CONGRESSIONAL BUDGET OFFICE, RESEARCH AND DEVELOPMENT IN THE PHARMACEUTICAL INDUSTRY (Aug. 2021) ("In CBO's assessment, current R&D spending does not influence the future prices of the drugs that result from that spending."); Aaron Kesselheim, Jerry Avorn, & Ameet Sarpatwari, *The High Cost of Prescription Drugs in the United States: Origins and Prospects for Reform*, 316 JAMA NETWORK 858 (2016); Vinay Prasad, Kevin De Jesus, Sham Mailankody, *The high price of anticancer drugs: origins, implications, barriers, solutions*, 14 NAT. REV. CLIN. ONC. 381 (2016).

[11] Aaron Kesselheim, Jerry Avorn, & Ameet Sarpatwari, *The High Cost of Prescription Drugs in the United States: Origins and Prospects for Reform*, 316 JAMA NETWORK 858 (2016).

[12] Amy Kapczynski, *The Political Economy of Market Power in Pharmaceuticals*, 48 J. HEALTH POL., POL'Y & L. 215 (2023); S. Vincent Rajkumar, *The high cost of prescription drugs: causes and solutions*, 10 BLOOD & CANCER J. 381 (2020).

Finally, as this report will emphasize, pharmaceutical companies spend in excess on executive compensation, share buybacks, and dividends which enrich their shareholders, cutting against the industry's mistaken impression that it is strapped for resources to research and develop new medicines.[13] Stock buybacks enrich investors by reducing the number of outstanding shares in a company. The fewer shares there are in investors' hands, the more each share is worth. When a company buys back and cancels 10% of its shares, that makes each share still held by an investor or insider rise in value, as it represents a greater claim on the company's earnings. Spending money this way allows companies to enrich shareholders silently, as well as the executives often paid in stock.[14] Dividends are another way of returning cash to investors. Each fiscal quarter, publicly traded companies typically issue fixed dividends to shareholders that rise when business is good and shrink or get suspended when business is bad.[15] Drug companies spend billions on stock buybacks and dividends to shareholders each year.[16]

A recent report by Protect Our Care shows that the drug companies marketing the drugs selected for the first round of Medicare price negotiation under the Inflation Reduction Act spent approximately $20 billion on stock buybacks and $54 billion on dividends to shareholders in 2023 as of November.[17] These excessive expenditures on share buybacks and dividends were also highlighted in a 2021 Drug Pricing Report from the House Oversight & Reform Committee, which found the industry argument "that permitting Medicare to negotiate drug prices would stifle innovation is not supported by available evidence or findings from the Committee's multi-year investigation into the pharmaceutical industry."[18] The investigation found that 14 large pharmaceutical companies spent $56 billion more on stock buybacks and dividends compared to research and development expenditures between 2016 and 2020.[19]

This report by Public Citizen and Protect Our Care highlights those findings and recenters the lavish expenditures of the manufacturers of the first 10 prescription drugs selected for Medicare price negotiations as industry renews claims that drug pricing relief will harm innovation. This report also examines the self-enriching activities of the manufacturers of

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[13] Amy Kapczynski, *The Political Economy of Market Power in Pharmaceuticals*, 48 J. HEALTH POL., POL'Y & L. 215, 230 (2023) (citing Aaron Kesselheim & Jeffrey Avorn, *Letting the Government Negotiate Drug Prices Won't Hurt Innovation*, WASH. POST (Sept. 27, 2021), https://www.washingtonpost.com/outlook/2021/09/22/drug-pricing-negotiation-biden-bill/); U.S. HOUSE OF REPRESENTATIVES' COMMITTEE ON OVERSIGHT & REFORM, DRUG PRICING INVESTIGATION: INDUSTRY SPENDING ON BUYBACKS, DIVIDENDS, & EXECUTIVE COMPENSATION (July 2021).

[14] PUBLIC CITIZEN, BAILOUT WATCH, FRIENDS OF THE EARTH, BIG OIL'S WARTIME BONUS 2 (2022).

[15] *Id.* at 8.

[16] PROTECT OUR CARE, GREED WATCH: BIG COMPANIES CONTINUE TO BRING IN BILLIONS WHILE AMERICANS STRUGGLE TO AFFORD SKYROCKETING PRICES 4 (Nov. 2023), GREED-WATCH-Big-Drug-Companies-Continue-To-Bring-In-Hundreds-of-Billions-While-Americans-Struggle-To-Afford-Skyrocketing-Prices.pdf (protectourcare.org).

[17] *Id.*

[18] U.S. HOUSE OF REPRESENTATIVES' COMMITTEE ON OVERSIGHT & REFORM, DRUG PRICING INVESTIGATION: INDUSTRY SPENDING ON BUYBACKS, DIVIDENDS, & EXECUTIVE COMPENSATION 11 (JULY 2021).

[19] *Id.* at 3.

the 10 drugs with the highest expenditures by payers in Maryland, which was the first state to establish a Prescription Drug Affordability Board. As other states consider passing similar legislation to create Prescription Drug Affordability Boards,[20] and as advocates in Maryland press for the expansion of its Board's upper payment limit authority to help more residents,[21] this report shows that the expenditures for the costliest drugs at the state level mirror the excessive spending on self-enrichment at the national level. Ultimately, the data shows these companies are not strapped for resources: they spend billions more on executive compensation, stock buybacks, and dividends to shareholders than research and development activities.

[20] Drew Gattine & Jennifer Reck, *State House Wrap-Up: States Continue to Tackle High Prices in 2023 Session*, NAT. ACAD. STATE HEALTH POL'Y BLOG (Oct. 30, 2023), https://nashp.org/state-house-wrap-up-states-continue-to-tackle-high-drug-prices-in-2023-session/.

[21] Daniel J. Brown, *Health care legislation preview: Maryland advocates want to focus on access, patients in 2024 session*, MARYLAND MATTERS (Jan. 8, 2024), https://www.marylandmatters.org/2024/01/08/health-care-legislation-preview-maryland-advocates-want-to-focus-on-access-patients-in-2024-session/.

Manufacturers of the Drugs Selected for Medicare Price Negotiation Spent Billions More on Dividends, Stock Buybacks, and Executive Compensation than Research & Development

In August 2023, the Biden administration announced the first 10 drugs selected for Medicare price negotiation under the Inflation Reduction Act.[22] Between June 2022 and May 2023, these ten drugs cost Medicare Part D $50.5 billion.[23] The manufacturers of the drugs and relevant financial information obtained from Form 10-K, 20-F, and proxy statement filings with the Securities Exchange Commission (SEC), and publicly available accounting statements are listed in Table 1. Detailed methodology for all tables is contained in the Appendix. For example, Johnson & Johnson (JNJ) spent $11.682 billion on dividends to shareholders, $6.035 billion on stock buybacks, and $45 million on executive compensation in 2022. In total, JNJ spent $17.762 billion on these self-enriching activities compared to $14.6 billion on research and development.

In aggregate, the manufacturers of the drugs selected for Medicare price negotiation spent $10 billion more on stock buybacks, dividends, and executive compensation than research and development in 2022. If the $12 billion in advertising expenditures are also included to show the significant resources at these companies' disposal, manufacturers of drugs selected for Medicare price negotiation spent $22 billion more compared to research and development expenses.[24]

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[22] *HHS Selects the First Drugs for Medicare Drug Price Negotiation*, HHS.GOV (Aug. 23, 2023), https://www.hhs.gov/about/news/2023/08/29/hhs-selects-the-first-drugs-for-medicare-drug-price-negotiation.html.

[23] *Id.*

[24] Manufacturers of the first drugs selected for Medicare negotiation spent 12.241 on advertising according to disclosures in Form 10-K filings with the SEC.

Table 1: Spending by Manufacturers of Drugs Selected for Medicare Price Negotiation (in dollars)

Drug Company	Drug Name	Dividends	Stock Buybacks	Exec. Comp.	Dividends. Stock Buybacks, & Exec. Comp.	R&D
AbbVie	Imbruvica	10.043 billion	1.487 billion	71.91 million	**11.602 billion**	**6.510 billion**
Amgen	Enbrel	4.196 billion	6.360 billion	50.25 million	**10.606 billion**	**4.434 billion**
AstraZeneca	Farxiga	4.364 billion	--	22.27 million	**4.386 billion**	**9.762 billion**
BMS	Eliquis	4.634 billion	8.001 billion	48.04 million	**12.683 billion**	**9.509 billion**
Pfizer	Eliquis	8.983 billion	2.000 billion	107.23 million	**11.090 billion**	**11.428 billion**
JNJ	Stelara, Xarelto, Imbruvica	11.682 billion	6.035 billion	45.19 million	**17.762 billion**	**14.603 billion**
Bayer AG	Xarelto	2.087 billion	--	23.26 million	**2.111 billion**	**6.911 billion**
Merck	Januvia	7.012 billion	--	60.46 million	**7.072 billion**	**13.548 billion**
Novartis	Entresto	7.506 billion	10.652 billion	51.75 million	**18.210 billion**	**9.996 billion**
Novo Nordisk	Fiasp/ Novolog	3.575 billion	3.403 billion	36.84 million	**7.016 billion**	**3.398 billion**
Eli Lilly	Jardiance	3.536 billion	1.500 billion	44.48 million	**5.080 billion**	**7.191 billion**
Total		67.619 billion	39.438 billion	561.68 million	**107.619 billion**	**97.290 billion**

As shown in Table 2, executive compensation for these manufacturers exceeded half a billion dollars in just one year. More than half of executive compensation was based on equity awards, thereby directly linking executive pay to share price. The payment structure incentivizes share repurchases to inflate stock values, which increases executive compensation in the short-term.

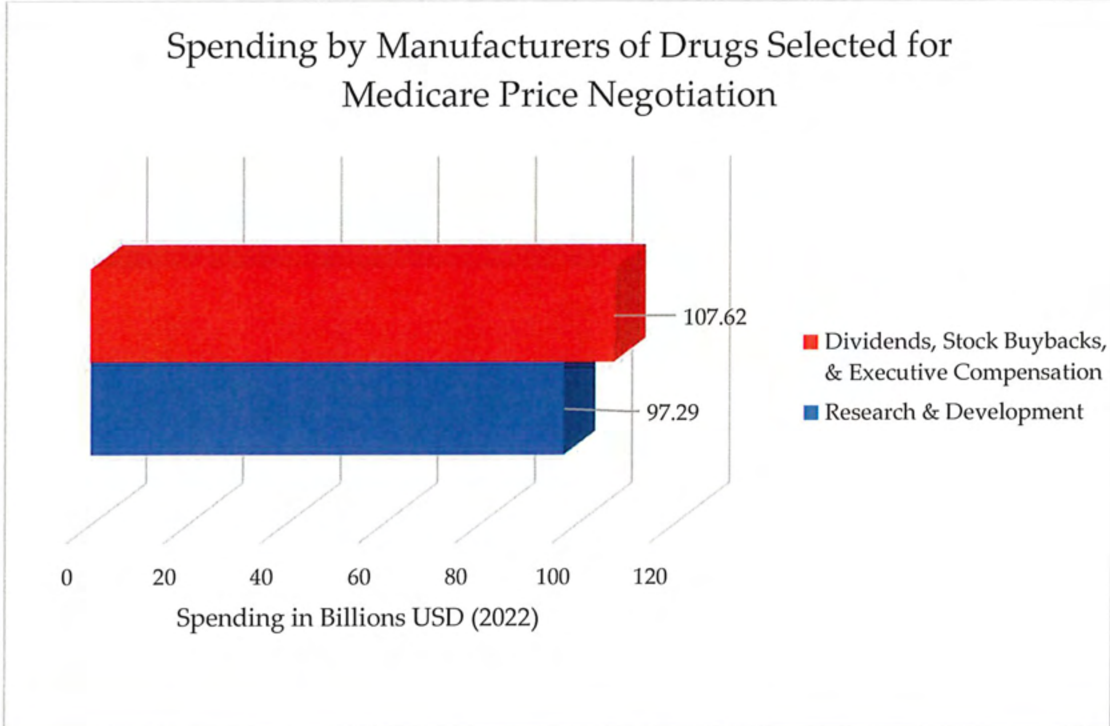
Table 2: Executive Compensation for the Manufacturers of Drugs Selected for Medicare Price Negotiation (in dollars)

Drug Company	Drug(s) selected for Negotiation	Number of Corporate Officers	Executive Base Pay	Equity-Based Awards	Total Compensation
AbbVie	Imbruvica	6	7,041,609	46,525,585	71,913,444
Amgen	Enbrel	5	6,051,861	34,111,067	50,245,442
AstraZeneca	Farxiga	2	2,765,721	13,000,000	22,266,338
BMS	Eliquis	5	6,055,263	31,506,942	48,038,921
Pfizer	Eliquis	6	7,768,166	48,970,106	107,228,894
JNJ	Stelara, Xarelto, Imbruvica	5	5,409,809	32,034,706	45,186,672
Bayer AG	Xarelto	6	6,661,409	4,413,249	23,263,933
Merck	Januvia	6	6,063,476	39,967,603	60,463,107
Novartis	Entresto	16	11,423,342	21,563,333	51,753,687
Novo Nordisk	Fiasp/Novolog	10[25]	11,374,876	14,893,316	36,837,643
Eli Lilly	Jardiance	5	5,258,655	31,193,250	44,477,379
Total		**72**	**75,874,187**	**318,179,157**	**561,675,460**

In sum, these figures suggest that these drug corporations have ample resources to invest in research and development, which belies industry claims that the Medicare price negotiation provisions will stifle innovation.

[25] According to Novo Nordisk's Remuneration Report 2022, there is a category for non-registered executives, which includes 3 named persons. It remains unclear if other individuals are included in this category as well.

Figure 1: Spending by Manufacturers of Drugs Selected for Medicare Price Negotiation (in Billions of Dollars)



Manufacturers of the Costliest Drugs in Maryland Spent Billions More on Dividends, Stock Buybacks, and Executive Compensation than Research & Development

A similar pattern of corporate enrichment emerges for the 10 costliest drugs in Maryland. In 2022, Maryland's Prescription Drug Affordability Board published a report that detailed the 10 drugs payers, including Medicare, Medicaid, and certain commercial insurance plans, spent the most on in 2019.[26] The manufacturers of those drugs and their respective spending on dividends, stock buybacks, executive compensation, and research and development are reported in Table 3 using securities filings and publicly available statements. These drug corporations spent $9 billion more on share repurchases, dividends to shareholders, and executive compensation than on research and development in 2022. When the $10 billion in advertising expenditures are included to illustrate the lack of resource constraints facing these companies, pharmaceutical manufacturers of the 10 costliest drugs in Maryland spent $19 billion more compared to research and development expenses.[27]

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[26] Maryland Prescription Drug Affordability Board, Section 21-2c-09(c) (2022) Annual Cost Review Report 7 (Dec. 31, 2022).

[27] Manufacturers of the 10 costliest drugs in Maryland spent 10.032 billion on advertising expenses in 2022 according to disclosures in Form 10-K filings with the SEC.

Table 3: Spending by the Manufacturers of the Costliest Drugs in Maryland (in dollars)

Drug Company	Drug Name	Dividends	Stock Buybacks	Exec. Comp.	Dividends. Stock Buybacks, & Executive Compensation	R&D
AbbVie	Humira	10.043 billion	1.487 billion	71.91 million	**11.602 billion**	**6.510 billion**
Gilead	Biktarvy, Genvoya	3.709 billion	1.396 billion	53.12 million	**5.158 billion**	**4.977 billion**
BMS	Eliquis	4.634 billion	8.001 billion	48.04 million	**12.683 billion**	**9.509 billion**
GSK	Triumeq[28]	4.275 billion	--	25.85 million	**4.301 billion**	**6.767 billion**
Pfizer	Triumeq, Eliquis	8.983 billion	2.000 billion	107.23 million	**11.090 billion**	**11.428 billion**
Shionogi[29]	Triumeq	.275 billion	.377 billion	3.93 million	**.656 billion**	**.569 billion**
Biogen	Tecfidera	--	.750 billion	86.51 million	**0.837 billion**	**2.231 billion**
Eli Lilly	Trulicity	3.536 billion	1.500 billion	44.48 million	**5.080 billion**	**7.191 billion**
JNJ	Stelara	11.682 billion	6.035 billion	45.19 million	**17.762 billion**	**14.603 billion**
Novo Nordisk	Fiasp/ Novolog	3.575 billion	3.403 billion	36.84 million	**7.016 billion**	**3.398 billion**
Total		50.712 billion	24.949 billion	523.09 million	**76.185 billion**	**67.183 billion**

[28] Triumeq is marketed by Viiv Healthcare, which is a joint venture between Pfizer, GSK, and Shionogi.
[29] Shionogi is a Japanese company that operates on a fiscal year from April 1, 2022 through March 31, 2023. Instead, data for this company on stock buybacks, dividends, and research and development was taken for April 1, 2022 through December 31, 2022 (9 months). However, executive compensation figures are only available on a yearly basis, so that information is taken from the 2022 report spanning April 1, 2022 through March 31, 2023.

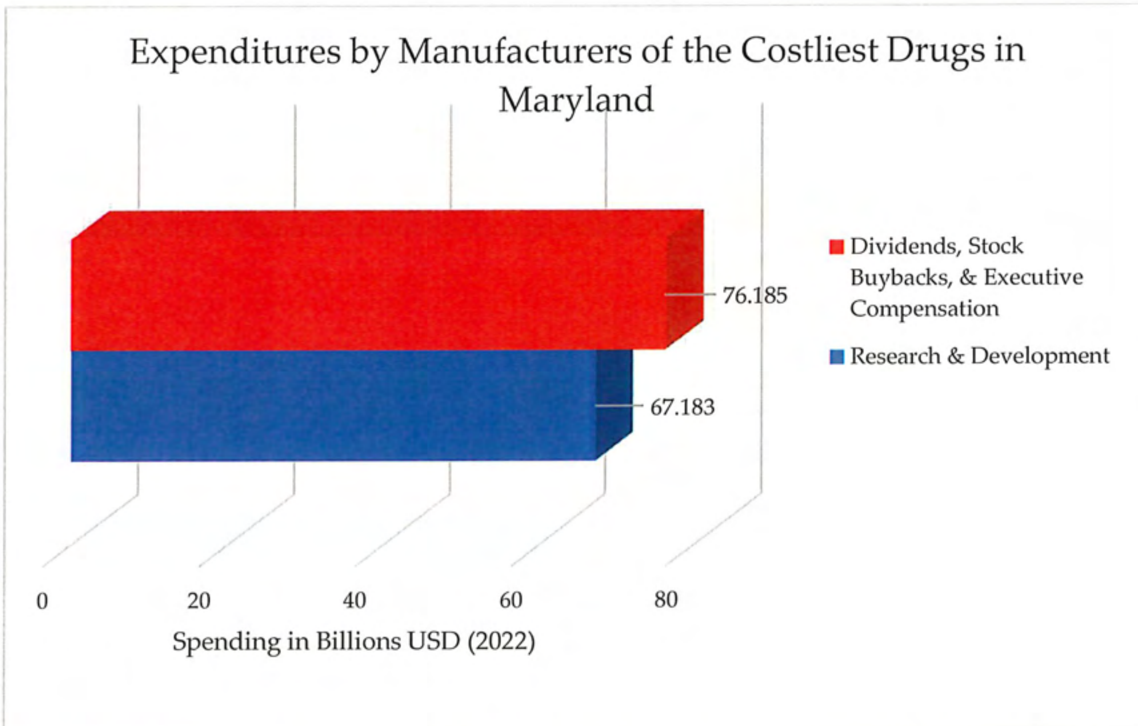
Like the manufacturers of the drugs selected for Medicare price negotiation, manufacturers of the ten costliest drugs in Maryland spent over half a billion dollars on executive compensation in just 2022 (see Table 4). For these companies, 60% of executive pay was based on equity awards, helping drive corporate investment in short-term measures to inflate stock values, such as stock buybacks, as opposed to long-term investments in research and development.

Table 4: Executive Compensation for the Manufacturers of the Costliest Drugs in Maryland (in dollars)

Drug Company	Drug Name	Number of Officers	Base Pay	Equity-Based Compensation	Total Compensation
AbbVie	Humira	6	7,041,609	46,525,585	**71,913,444**
Gilead	Biktarvy, Genvoya	5	5,244,613	34,198,123	**53,120,567**
BMS	Eliquis	5	6,055,263	31,506,942	**48,038,921**
GSK	Triumeq	3	4,324,291	12,208,385	**25,850,801**
Pfizer	Triumeq	6	7,768,166	48,970,106	**107,228,894**
Shionogi	Triumeq	5	1,574,695	958,510	**3,925,327**
Biogen	Tecfidera	7	5,184,996	66,506,517	**86,506,118**
Eli Lilly	Trulicity	5	5,258,655	31,193,250	**44,477,379**
JNJ	Stelara	5	5,409,809	32,034,706	**45,186,672**
Novo Nordisk	Fiasp/Novolog	10	11,374,876	14,893,316	**36,837,643**
Total		**57**	**59,236,974**	**318,995,440**	**523,085,767**

In sum, establishing state Prescription Drug Affordability Boards with the authority to limit the price of drug transactions or expanding these boards' authority to deliver relief to more residents does not constrain industry capacity to invest in drug innovation. Drug companies of the costliest drugs in states, which are often the manufacturers of the costliest drugs nationally, have significant resources to invest in research and development.

Figure 2: Spending by Manufacturers of the Costliest Drugs in Maryland (in Billions of Dollars)



Conclusion

Supermajorities of Americans believe that drug prices are unreasonable and that the government is doing too little to protect its residents from their excessive costs. As federal and state governments rise to the occasion and deliver relief from the price-gouging of their constituents, it is expected that the pharmaceutical industry will raise strong opposition to these efforts to preserve their profiteering. Most commonly, opposition to popular relief centers the claim that reducing their profits in any manner will constrain their resources to invest in new medicines.

As experts, advocates, scholars, and government oversight institutions have reiterated for years, those claims are belied by the lavish expenditures of these companies on activities to enrich their shareholders and executives, which outweigh their investment in the innovation of new drugs. Indeed, this rings true for the corporations manufacturing the first drugs selected for Medicare price negotiation and the costliest drugs in Maryland, with billions spent in excess of research and development expenses on dividends, stock buybacks, and executive compensation. As such, there is no necessary relationship between drug pricing relief for millions and harming resources for innovation, and arguments to the contrary must be contested wherever they abound.

Appendix: Methodology for Obtaining Financial Figures

Table 1: Spending by Manufacturers of Drugs Selected for Medicare Price Negotiation (in dollars)

Data was taken from the latest annual SEC filings for Fiscal Year 2022 of all U.S.-based companies. Advertising figures were taken from descriptive statements offered in these SEC filings.[30] Dividend and stock repurchase figures were taken from Consolidated Cash Flow Statements.[31] For two companies, there was a discrepancy between descriptive statements as to share repurchases in the SEC filings versus information in the cash flow statements on the purchases of treasury stock.[32] For consistency, this report uses the figures reported in the cash flow statements. Research and development figures were taken as reported in Consolidated Income/Earning Statements.[33] Foreign corporations AstraZeneca & Novartis filed Form 20-F with the SEC disclosing the instant data in similar formats, with the exception of advertising figures which do not appear to be descriptively reported.[34]

Research and development, stock repurchase, and dividend figures for Novo Nordisk were obtained from publicly available Income and Cash Flow statements in annual reports.[35] A similar approach was used for Bayer AG, a German company: this data was taken from its publicly available annual report for 2022.[36]

Executive compensation data was taken from the latest proxy statements filed with the SEC (Fiscal Year 2022) of all U.S.-based companies.[37] Figures on executive compensation were obtained from the Summary Compensation Table, which provides a total figure combining base salary, equity-based compensation, non-equity compensation according to the company's incentive plan, appreciation in pension value, deferred compensation, and "other compensation," which includes the cost of providing corporate travel, automobiles, and financial planning services.[38]

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[30] *See e.g.*, AbbVie 2022 Form 10-K, at 57.
[31] *See e.g.*, AbbVie 2022 Form 10-K, at 54.
[32] AbbVie describes that it repurchased $1.1 billion in stocks for 2022, but its cash flow statement shows it expended $1.487 billion on the purchase of treasury stock. *Compare* AbbVie 2022 Form 10-K, at 42 *to* AbbVie Form 10-K, at 54. Novartis described that it spent $10.8 billion on share repurchases, but its cash flow statement shows that it spent $10.652 billion on the acquisition of treasury stock. *Compare* Novartis 2022 Form 20-F, at 79 *to* Novartis 2022 Form 20-F, at F-5. These discrepancies do not affect the findings of this report.
[33] *See e.g.*, AbbVie 2022 Form 10-K, at 50.
[34] AstraZeneca PLC, 2022 Form 20-F, at F-2, F-5, F-46 ("No share repurchases have been made since 2012"); Novartis, 2022 Form 20-F, at F-1, F-4,
[35] NOVO NORDISK, ANNUAL REPORT 2022 54-55 (2023).
[36] BAYER ANNUAL REPORT 2022 2, 87, 90-91, 150 (2023).
[37] *See e.g.*, AbbVie, 2023 Proxy Statement, at 51.
[38] *Id.*

Foreign corporation AstraZeneca filed Form 20-F with the SEC, which incorporates by reference certain pages detailing remuneration from its annual report.[39] Novartis disclosed compensation figures for its Executive Committee in Form 20-F filed with the SEC.[40] Novo Nordisk disclosed executive compensation in its annual Remuneration Report.[41] Bayer AG included its executive compensation figures in its annual report.[42]

Data in foreign currencies were converted to U.S. dollars using the yearly average exchange rates for 2022 posted on the Internal Revenue Service's website.[43]

Table 2: Executive Compensation for the Manufacturers of Drugs Selected for Medicare Price Negotiation (in dollars)

Executive compensation data was obtained using the approach outlined for Table 1. For U.S. based companies, stock-based and option-based awards were aggregated from the Summary Compensation Table to establish equity-based compensation for executives.[44] Foreign corporations often did not detail equity-based compensation in the same manner. They disclosed equity-based compensation in a category termed long-term incentive programs/awards.[45] Base salary was disclosed in a standard manner across companies.[46]

Again, data in foreign currencies were converted to U.S. dollars using the yearly average exchange rates for 2022 posted on the Internal Revenue Service's website.[47]

Table 3: Spending by the Manufacturers of the Costliest Drugs in Maryland (in dollars)

Research and development, stock buybacks, dividend payments, and total executive compensation figures were obtained using the same approach from Table 1. The following manufacturers of the drugs selected for Medicare price negotiation also appeared on the list of manufacturers of the 10 costliest drugs in Maryland: AbbVie, Bristol Myers Squibb, Pfizer, Eli Lilly, Johnson & Johnson, and Novo Nordisk. Therefore, the same data was used from Table 1.

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[39] AstraZeneca, 2022 Form 20-F at 40; ASTRAZENECA ANNUAL REPORT AND FORM 20-F INFORMATION 2022 111 (2023).

[40] Novartis, 2022 Form 20-F, at 105.

[41] NOVO NORDISK, REMUNERATION REPORT 2022 12 (2023).

[42] BAYER ANNUAL REPORT 2022 280-81 (2023).

[43] *Yearly Average Currency Exchange Rates*, IRS.GOV, https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates (last visited Jan. 8, 2023).

[44] *See e.g.*, AbbVie, 2023 Proxy Statement, at 51.

[45] ASTRAZENECA ANNUAL REPORT AND FORM 20-F INFORMATION 2022 111 (2023); BAYER ANNUAL REPORT 2022 280-81 (2023); NOVO NORDISK, REMUNERATION REPORT 2022 12-14 (2023).

[46] *See e.g.*, AbbVie, 2023 Proxy Statement, at 51; ASTRAZENECA ANNUAL REPORT AND FORM 20-F INFORMATION 2022 111 (2023); BAYER ANNUAL REPORT 2022 280-81 (2023); NOVO NORDISK, REMUNERATION REPORT 2022 12 (2023).

[47] *Yearly Average Currency Exchange Rates*, IRS.GOV, https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates (last visited Jan. 8, 2023).

Gilead and Biogen's data on stock repurchases, dividends, and research and development figures were obtained from Consolidated Cash Flow Statements and Income/Earning Statements in their 2022 Form 10-K filing with the SEC.[48] Advertising figures for these companies were taken from the descriptive statements within these filings.[49] GSK filed Form 20-F with the SEC disclosing data on research and development, stock repurchases, and dividends.[50] Shionogi is a Japanese company that operates on a fiscal year from April 1, 2022, through March 31, 2023. To examine figures from 2022, data for research and development, stock repurchases, and dividends was taken from its third quarter report covering April 1, 2022, through December 31, 2022.[51]

Executive compensation figures for Gilead and Biogen were disclosed in their proxy statement filings with the SEC.[52] For GSK, this data was obtained from its annual report incorporated by reference in its Form 20-F filing with the SEC.[53] Shionogi discloses executive compensation according to its fiscal calendar, so the latest disclosure covering Fiscal Year 2022 covered April 1, 2022, through March 31, 2023.[54]

Data in foreign currencies were converted to U.S. dollars using the yearly average exchange rates for 2022 posted on the Internal Revenue Service's website.[55]

Table 4: Executive Compensation for the Manufacturers of the Costliest Drugs in Maryland (in dollars)

Executive compensation data was obtained using the approach outlined for Table 3. The following manufacturers of the drugs selected for Medicare price negotiation also appeared on the list of manufacturers of the 10 costliest drugs in Maryland, so their executive compensation figures from Table 2 were used: AbbVie, Bristol Myers Squibb, Pfizer, Eli Lilly, Johnson & Johnson, and Novo Nordisk.

Again, for U.S.-based companies, stock-based and option-based awards were aggregated to determine equity-based compensation for executives.[56] Equity-based compensation fell under the category of long-term incentive awards for GSK executives.[57] Shionogi disclosed

[48] *See* Gilead, 2022 Form 10-K, at 49, 52; Biogen 2022 Form 10-K, at F-2, F-5.

[49] *See* Gilead, 2022 Form 10-K, at 55; Biogen 2022 Form 10-K, at F-21.

[50] *See* GSK, 2022 Form 20-F, at 16, 34-35.

[51] *See* SHIONOGI, CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER FISCAL YEAR 2022 (IFRS) 4,10 (Jan. 30, 2023).

[52] *See* Gilead, Schedule 14A: 2023 Notice of Annual Meeting and Proxy Statement, at 69; Biogen, Schedule 14A: 2023 Annual Notice of Stockholders and Proxy Statement, at 56.

[53] *See* GSK, 2022 Form 20-F, at 51; GSK ANNUAL REPORT 2022 136 (2023).

[54] *See* Shionogi, *Chapter 3: Mechanisms Supporting SHIONOGI's Growth,* from INTEGRATED REPORT 2023, at 93.

[55] *Yearly Average Currency Exchange Rates*, IRS.GOV, https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates (last visited Jan. 8, 2023).

[56] *See* Gilead, Schedule 14A: 2023 Notice of Annual Meeting and Proxy Statement, at 69; Biogen, Schedule 14A: 2023 Annual Notice of Stockholders and Proxy Statement, at 56.

[57] GSK ANNUAL REPORT 2022 136, 142 (2023).

stock-based compensation under a category termed "non-monetary remuneration."[58] Base salary data was disclosed in a standard manner across companies.[59]

Data in foreign currencies were converted to U.S. dollars using the yearly average exchange rates for 2022 posted on the Internal Revenue Service's website.[60]

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[58] *See* Shionogi, *Chapter 3: Mechanisms Supporting SHIONOGI's Growth*, from INTEGRATED REPORT 2023, at 93.

[59] Gilead, Schedule 14A: 2023 Notice of Annual Meeting and Proxy Statement, at 69; Biogen, Schedule 14A: 2023 Annual Notice of Stockholders and Proxy Statement, at 56; GSK ANNUAL REPORT 2022 136 (2023); Shionogi, *Chapter 3: Mechanisms Supporting SHIONOGI's Growth*, from INTEGRATED REPORT 2023, at 93.

[60] *Yearly Average Currency Exchange Rates*, IRS.GOV, https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates (last visited Jan. 8, 2023).

SB 987- Corporate Income Tax – Addition Modificati
Uploaded by: Andrew Nicklas
Position: FWA

Maryland
Hospital Association

Senate Bill 987- Corporate Income Tax – Addition Modification – Direct–to–Consumer Pharmaceutical Advertising

Position: *Support as Amended*
March 11, 2026
Senate Budget & Taxation Committee

MHA Position

On behalf of the Maryland Hospital Association's (MHA) member hospitals and health systems, we appreciate the opportunity to comment in support as amended of Senate Bill 987.

The Maryland Hospital Association supports the sponsor amendment that allocates a portion of the revenue collected under this bill toward the Maryland Medical Assistance Program (Medicaid). Medicaid remains a foundational component of Maryland's health care system, providing coverage for approximately 1.5 million people statewide, half of whom are children.

The Maryland Department of Health estimates the state could lose up to $2.7 billion in federal funding as a result of the federal legislation H.R.1 (2025). Approximately 175,000 Marylanders are projected to lose coverage due to the requirements imposed by the bill. The state also stands to incur significant costs to implement systems and processes to streamline participant eligibility determinations, renewals, and reverification.

These federal changes pose a substantial threat to access to affordable health care in the state and will put enormous pressure on state budgets. States will either have to absorb the federal funding losses or limit coverage or both. At the same time, these coverage losses could lead more people to seek emergency care in hospital settings, increasing the burden of uncompensated care on providers. Redirecting a portion of the pharmaceutical advertising tax to Medicaid offers an opportunity to help mitigate some of these impacts and preserve health care access for the most vulnerable populations in our state.

For these reasons, we request a favorable report on SB 987 as amended.

For more information, please contact:
Andrew Nicklas, Senior Vice President, Government Affairs & Policy and General Counsel
Anicklas@mhaonline.org

DOCS-#243779-v1-SB_987_Rx_SUPPORT.pdf
Uploaded by: Matthew Celentano
Position: FWA

The League of Life and Health Insurers of Maryland

15 School Street, Suite 200
Annapolis, Maryland 21401
410-269-1554

March 11, 2026

The Honorable Guy Guzzone
Chair, Senate Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

Senate Bill 987 - Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

Dear Chair Guzzone,

The League of Life and Health Insurers of Maryland, Inc. supports *Senate Bill 987 – Corporate Income Tax – Addition Modification – Direct-to-Consumer Pharmaceutical Advertising* with amendments and urges the committee to give the bill a favorable report.

This bill provides an addition modification under the corporate income tax for the amount of direct-to-consumer advertising expenses for pharmaceutical drugs paid or incurred during the taxable year. Simply, if a drug manufacturer spends money on TV, internet, or other ads for prescription drugs, those advertising cots could no longer be deducted when calculating Maryland taxable income for corporate tax purposes. It is asinine that we would provide some of these companies a shelter from taxation in the first place, and SB 987 is a good first step towards making progress in curbing industry incentives that contribute to high drug costs and keeping life-saving medications out of the hands of Marylanders.

There are direct and significant negative consequences associated with direct-to-consumer advertising by drug manufacturers including: (1) increased health care costs through driven demand for higher priced medications; (2) unneeded pressures on clinical relationships; and (3) safety gaps with the rise of direct-to-consumer linked telehealth platforms that has created further risks due to the lack of full understanding of a patient's medical history.

If amended, SB 987 would add to the resources under consideration and represent a continued investment in Medicaid in Maryland as well as providing Marylanders not eligible for Medicaid assistance in securing coverage in the commercial market. While funding for Medicaid is always critical to maintaining a robust safety net in Maryland, it is especially important this year given operational changes resulting from recent federal actions. Maryland Medicaid will be required to make investments to account for increased eligibility requirements for enrollees. The additional funding generated through this amendment would help ensure that as many Marylanders as possible remain enrolled without disruptions to their health care coverage. It would also provide premium assistance to Marylanders that would like to provide lower cost, comprehensive coverage to themselves and their families.

The League remains deeply committed to providing access to health coverage for all Marylanders. For the above reasons, The League urges a favorable report on Senate Bill 987.

Very truly yours,

Matthew Celentano
Executive Director

cc: Members, Senate Budget & Taxation Committee

Melanie Townsend Diggs_SB 987_FAV.pdf
Uploaded by: Melanie Diggs
Position: FWA

Testimony in Favor of Senate Bill 987

Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

Before the Senate Budget and Taxation Committee

By Melanie Townsend Diggs, Ph.D.

March 11, 2026

Chair Guzzone, Vice-Chair Rosapepe, and Members of the Budget and Taxation Committee, thank you for this opportunity to testify in favor of SB 987.

I am currently a Regional Director for a library system in Maryland, and I have served on the Board of Families USA, a national consumer health care advocacy group. I was personally enrolled in Medicaid during a difficult time for my family and am truly grateful for it being available. Without it, I would not have access to prenatal care and my children would not have had access to medical and dental care, especially one of my daughters who suffered from an extreme case of eczema. When she received coverage, she was able to be seen by a dermatologist and to begin treatment for this skin disorder. As a mom who was at her wit's end about how to care for her, I was relieved when I saw that her raw, bloody skin patches were being healed and revealing beautiful skin.

Under HR 1 there will be new work reporting requirements and six-month redeterminations for adults who receive Medicaid through the Affordable Care Act expansion. Most people within this population already work or qualify for an exemption, but will now have to complete additional paperwork and record-keeping to keep their coverage. SB 987 would invest $5 million per year into Medicaid eligibility operations which will reduce the administrative burden on patients to meet the new requirements under HR 1.

When I was enrolled in Medicaid, having manageable paperwork to fill out and knowing there were people to help me if I had questions about the paperwork gave me peace of mind about my health coverage during a stressful time. I know how important minimizing red tape and investing in local navigators will be to prevent people from losing Medicaid coverage so that they can get the health care they need.

Thank you very much for your leadership. I urge a favorable report on SB 987 to invest in eligibility operations so that Medicaid recipients can continue to access health care.

SB0987 Pharmaceutical Advertising Written Testimon
Uploaded by: Senator Karen Lewis Young
Position: FWA

Karen Lewis Young
Legislative District 3
Frederick County

Budget and Taxation Committee

Chair
Pensions Subcommittee

THE SENATE OF MARYLAND
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The Honorable Guy Guzzone, Chair
The Honorable Jim Rosapepe, Vice Chair
Budget & Taxation Committee
Miller Senate Office Building
Annapolis, MD 21401

March 11th, 2026

SB987 - Corporate Income Tax - Addition Modification - Direct-to-Consumer Pharmaceutical Advertising

Chair Guzzone, Vice Chair Rosapepe, and esteemed colleagues,

For decades, Maryland has been a national leader in health care, pioneering early expansion of Medicaid and developing innovative approaches like the landmark Prescription Drug Affordability Board and Easy Enrollment Program. Since the passage of the Affordable Care Act in 2010, our state has reduced the number of uninsured Marylanders from 13% to 6%, helping over 400,000 people to obtain coverage and resulting in $460 million in savings to the health care system.[1] Studies have shown that access to full health coverage increases use of preventative services and regular care and can improve health outcomes.[2] Unfortunately, as our state faces ongoing budget pressures and unprecedented federal threats to coverage, this progress is in jeopardy. When Marylanders lose coverage, we all pay the price. These federal policy changes will have rippling effects across our health care systems, raising uncompensated care, increasing emergency room utilization, and driving up costs for Marylanders around the State as premium rates are destabilized.

Without state action, hundreds of thousands of Marylanders could lose their coverage in the coming years due to Congress's termination of enhanced advance premium tax credits and the administrative burdens and budget cuts found in HR 1. These consequences will disproportionately harm communities of color, rural Marylanders, and those with disabilities, as they are more likely to rely on Medicaid or marketplace coverage to access primary care, mental

[1] "Analysis of Hospital Uncompensated Care, Related Hospital Assessments, and Health Care Expansion". https://healthcareforall.com/wp-content/uploads/2023/12/Analysis-of-HC-Expansion-and-Hospital-UC-120523.pdf.
[2] Soni, Aparna, Laura Wherry, and Kosali Simon. 2020. "How Have ACA Insurance Expansions Affected Health Outcomes? Findings From The Literature." *Health Affairs* 39, no. 3 (March): 371-378. https://doi.org/10.1377/hlthaff.2019.01436.

health services, and prescription drug coverage. **Senate Bill 987** serves as an important tool in combating these federal attacks to health coverage, securing critical funding for Medicaid eligibility operations and protecting the health care infrastructure in our state. This legislation is an innovative approach to generate revenue for the growing health care coverage demands while simultaneously addressing an unnecessary burden on our taxpayers. Under federal law, pharmaceutical manufacturers are allowed to deduct the money spent on direct-to-consumer advertisements of prescription drug products from their federal taxable income. This bill requires pharmaceutical corporations to report these deductions as taxable corporate income in their Maryland returns and prohibits them from taking a state tax deduction for direct to consumer advertising expenditures.

As one of only two countries that allows this form of advertising, the United States are an outlier in this practice, and our patients and health care system pay the price. Spending for this marketing is significant, with over $14 billion spent on these advertisements in 2023 alone.[3] While the pharmaceutical industry has long claimed that their skyrocketing prices are used to offset the cost of innovation, we know that this marketing is a major driver for the increasing costs of blockbuster drugs. In 2022, the manufacturers of the first ten prescription drug products selected for Medicare Maximum Fair Price negotiation spent a combined $22 billion more on self-enriching activities and advertisements than on research and development.[4] As a result, our taxpayers are footing the bill for patients to be flooded with aggressive advertising for medications they may not even be able to afford.

While SB 987 does model federal legislation introduced, to date, no state has implemented a similar approach.[5] As sponsors, we have consulted with the Maryland Comptroller and Office of the Attorney General to ensure we are best designing this innovative process. You'll see in my attached sponsor amendment the language that the Comptroller's office has advised to help to ensure relevant expenses are reported while reducing the burden to the State. This can be accomplished by requiring that businesses that file Maryland returns, and also deduct direct-to-consumer prescription drug ads as a business expense on their federal return, file an annual report with the State declaring the deducted amount. Subsequently, this amount based on the total reported can be included in the budget for the relevant agencies (Medicaid and the Maryland Health Benefit Exchange).

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3 The Campaign for Sustainable Rx Pricing. 2025. "CSRxP ANALYSIS FINDS BIG PHARMA'S DIRECT-TO-CONSUMER (DTC) ADVERTISING COSTS U.S. TAXPAYERS BILLIONS OF DOLLARS." The Campaign for Sustainable Rx Pricing. https://www.csrxp.org/csrxp-analysis-finds-big-pharmas-direct-to-consumer-dtc-advertising-costs-u-s-taxpayers-billions-of-dollars/.

4 Ravinthiran, Jishian. 2024. "Profits over Patients." Public Citizen. https://www.citizen.org/article/profits-over-patients/.

5 Congress. 2024. "S.4691 - No Tax Breaks for Drug Ads Act." Congress.gov. https://www.congress.gov/bill/118th-congress/senate-bill/4691/text.

Additionally, you can view the attached opinion from the Office of the Attorney General, which deems this legislation to be defensible if challenged on First Amendment grounds, especially if a substantial governmental interest can be demonstrated. Given the pressing needs for increased funding for health coverage, there is an abundance of evidence towards how increased revenues could benefit the State. It is significantly harder to find the benefit in direct-to-consumer advertising. It is important to note that pharmaceutical advertisements differ significantly from traditional marketing, as prescription drugs cannot be purchased directly and require an order from a prescribing provider. Studies have found that these advertisements can misinform patients, strain the patient-physician relationship, and ultimately, can drive up spending due to the overprescribing of brand-name medications.[6] This legislation does not limit a pharmaceutical corporation's ability to advertise, it simply prevents these risks and costs from being shifted onto Maryland consumers.

By treating direct-to-consumer advertising as a non-deductible corporate expense, SB 987 would redirect the revenue from this misaligned federal tax break by requiring pharmaceutical manufacturers to include the deducted amount in their Maryland modified income. The language ensures that the first $5 million in revenue will go toward the State's Medicaid obligations, with the remaining funds designated to support state insurance subsidy programs through the Maryland Health Benefit Exchange. This legislation will help to protect the State's gains in health coverage, ensuring Marylanders have access to critical care without threatening the budget. It is time to prioritize patient care and affordability over pharmaceutical windfall profits, I urge a favorable report.

Sincerely,

Senator Karen Lewis Young

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6 Parekh, Natasha, and William Shrank. 2018. "Dangers and Opportunities of Direct-to-Consumer Advertising." *Journal of General Internal Medicine* 33, no. 2 (2): 586-587. https://doi.org/10.1007/s11606-018-4342-9.

SB0987/793127/1

AMENDMENTS PREPARED BY THE DEPT. OF LEGISLATIVE SERVICES

09 MAR 26
12:32:13

BY: Senator Lewis Young
(To be offered in the Budget and Taxation Committee)

AMENDMENTS TO SENATE BILL 987
(First Reading File Bill)

AMENDMENT NO. 1

On page 1, strike beginning with "providing" in line 7 down through the semicolon in line 8 and substitute "requiring the Governor to include an appropriation of a certain amount in the annual budget bill;"; in line 17, strike "31–107(e)(2)" and substitute "31–107(e)(13) and (14)"; and in line 22, strike "31–107(g)(6)" and substitute "31–107(e)(14) and (g)(6)".

On pages 1 and 2, strike in their entirety the lines beginning with line 25 on page 1 through line 2 on page 2, inclusive.

On page 2, strike in their entirety lines 3 through 7, inclusive; and after line 12, insert:

"BY adding to
Article – Tax – General
Section 10–305(e)
Annotated Code of Maryland
(2022 Replacement Volume and 2025 Supplement)".

AMENDMENT NO. 2

On page 2, strike in their entirety lines 25 through 29, inclusive, and substitute:

"(13) any federal funds received in accordance with § 31–121 of this subtitle for the administration of small business tax credits; **[**and**]**

(14) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND; AND

[(14)**]** **(15)** any other money from any other source accepted for the benefit of the Fund.";

and strike beginning with the first "**THE**" in line 30 down through "**ARTICLE**" in line 31 and substitute "**THE APPROPRIATION REQUIRED UNDER § 10–305(E)(3)(III) OF THE TAX – GENERAL ARTICLE**".

On page 3, strike beginning with "**THE**" in line 5 down through "**ARTICLE**" in line 7 and substitute "**THE APPROPRIATION REQUIRED UNDER § 10–305(E)(3)(III) OF THE TAX – GENERAL ARTICLE**"; and strike in their entirety lines 9 through 28, inclusive.

On page 5, after line 2, insert:

"**(3)** **(I)** **A CORPORATION SHALL ATTACH TO THE CORPORATION'S INCOME TAX RETURN A STATEMENT OF ANY EXPENSES REQUIRED TO BE ADDED TO THE FEDERAL TAXABLE INCOME OF THE CORPORATION TO DETERMINE MARYLAND MODIFIED INCOME UNDER THIS SUBSECTION.**

(II) **ON OR BEFORE DECEMBER 1 EACH YEAR, THE COMPTROLLER SHALL DETERMINE, FOR THE IMMEDIATELY PRECEDING TAXABLE YEAR, THE AMOUNT OF ADDITIONAL STATE REVENUE THAT IS THE RESULT OF THE ADDITION REQUIRED UNDER THIS SUBSECTION AND REPORT THAT AMOUNT TO THE GOVERNOR.**

(III) **FOR EACH FISCAL YEAR, THE GOVERNOR SHALL INCLUDE IN THE ANNUAL BUDGET BILL AN APPROPRIATION EQUAL TO:**

1. THE LESSER OF $5,000,000 OR THE AMOUNT THE COMPTROLLER REPORTS UNDER SUBPARAGRAPH (II) OF THIS PARAGRAPH TO THE MARYLAND DEPARTMENT OF HEALTH TO BE USED FOR MEDICAID ELIGIBILITY OPERATIONS; AND

2. THE AMOUNT BY WHICH THE AMOUNT THE COMPTROLLER REPORTS UNDER SUBPARAGRAPH (II) OF THIS PARAGRAPH EXCEEDS $5,000,000 TO THE MARYLAND HEALTH BENEFIT EXCHANGE FUND ESTABLISHED UNDER § 31–107 OF THE INSURANCE ARTICLE.";

strike beginning with the first "the" in line 7 down through "Article" in line 8 and substitute "the appropriation required under § 10–305(e)(3)(iii) of the Tax – General Article"; and strike beginning with "the" in line 14 down through "Article" in line 15 and substitute "the appropriation required under § 10–305(e)(3)(iii) of the Tax – General Article".

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March 5, 2026

The Honorable Natalie Ziegler
Maryland General Assembly
214 Lowe House Office Building
Annapolis, Maryland 21401
Via email

RE: House Bill 484, "Corporate Income Tax – Addition Modification – Direct-to-Consumer Pharmaceutical Advertising"

Dear Delegate Ziegler:

You have requested advice on the constitutionality of House Bill 484 ("Corporate Income Tax – Addition Modification – Direct-to-Consumer Pharmaceutical Advertising") with respect to the First Amendment. House Bill 484 requires an addition modification under the corporate income tax for the amount of any expenses paid or incurred during the tax year that are deducted under Internal Revenue Code ("IRC") § 162 for direct-to-consumer advertising of covered drugs. It is my view that the bill as introduced is not clearly unconstitutional on its face, though it presents a risk of violating the First Amendment Free Speech Clause because it could limit truthful and lawful advertising.

Arguably, under analogous Supreme Court precedent, HB 484 does not infringe upon any First Amendment rights or regulate any First Amendment activity by not allowing a tax deduction for expenses incurred from direct-to-consumer pharmaceutical advertising. *See Regan v. Taxation With Representation of Washington*, 461 U.S. 540 (1983). But if a court were to conclude that the bill, if passed, implicates the First Amendment, the State would have to show that it has a "substantial" government interest and that HB 484 is proportional to that interest.

The First Amendment of the U.S. Constitution and Article 40 of the Maryland Declaration of Rights[1] protect commercial speech, such as prescription drug advertising, as long as the advertising is truthful and lawful. *See Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 762 (1976) (holding that state ban on pharmacists' advertising of prescription drug prices violates the First Amendment); *Maryland Bd. of Pharmacy v. Sav-A-Lot, Inc.*, 270 Md. 103, 121 (1973) (striking down similar law on First Amendment and State constitutional grounds).

The Supreme Court has reviewed the implications of tax laws[2] on First Amendment rights, particularly as it pertains to the Government denying deductions. For instance, in *Reagan v. Taxation With Representation of Washington*, the Court held that Congress did not infringe upon any First Amendment right or regulate any First Amendment activity when it chose not to extend a tax deduction for lobbying expenses to Taxation With Representation of Washington ("TWR"). 461 U.S. 540*; see also Cammarano v. United* States, 38 U.S. 498 (1959) (upholding a regulation that denied business expense deductions for lobbying activities). The issue in *Reagan* came about when Congress decided not to subsidize TWR's (a nonprofit organization) lobbying expenses, in which the organization claimed that this decision was a violation under the First Amendment as it infringed upon their freedom of speech. *Id*. at 545.

The Court reasoned that the First Amendment does not require Congress to subsidize lobbying and choosing not to do so does not impair First Amendment rights. *Id*. at 546. Further, the *Regan* Court explained that denying a subsidy does not equate to placing an obstacle in the path of a person trying to exercise freedom of speech as the denial of a deduction does not equate to a prohibition. *Id*. at 549-50. "Although TWR does not have as much money as it wants, and thus cannot exercise its freedom of speech as much as it would like, the Constitution 'does not confer an entitlement to such funds[.]'" *Id*. at 550.

A reviewing court could similarly find that no First Amendment right is implicated by HB 484, which, in effect, decreases the value of a federal tax deduction for expenses on direct-to-consumer advertising of prescription drugs by adding that amount to the federal taxable income of a corporation to determine Maryland modified income. Here, like in *Regan*, a court could reason that HB 484 does not interfere with free speech because it does not restrict a corporation's freedom to advertise. As *Regan* recognized, the state is not required to subsidize or allow a tax deduction for advertising activities. Even if the bill would reduce certain cost advantages of certain advertising, which is commercial speech entitled to less protection under the First Amendment than the political speech considered in *Regan*, that reduction does not amount to regulation of speech.

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[1] According to the Supreme Court of Maryland, the "legal effect" of both the First Amendment and Article 40 of the Declaration of Rights "is substantially the same." *Pack Shack, Inc. v. Howard Cnty.*, 377 Md. 55, 64, n.3 (2003) (quoting *Sigma Delta Chi v. Speaker*, 270 Md. 1, 4 (1973)).

[2] Maryland courts have previously noted that "[t]he inevitable classifications and distinctions made by legislatures in designing a tax statute are entitled to a strong presumption of constitutionality." *Clear Channel Outdoor, Inc. v. Director, Department of Finance of Baltimore City*, 472 Md. 444, 463-64 (2021); citing *Leathers v. Medlock*, 499 U.S. 439, 451-52 (1991); (reasoning that tax laws are presumed to be valid and constitutional, even in the context of a First Amendment challenge).

In contrast to the above, if a reviewing court determined that HB 484 *does* regulate commercial speech, it would use the test articulated by the U.S. Supreme Court in *Central Hudson Gas and Electric Corp. v. Public Service Commission of New York*, laws restricting or limiting commercial speech must serve a "substantial" government interest and the regulatory means employed must be in proportion to that interest. 447 U.S. 557, 563-64. A reviewing court would apply a 4-part intermediate scrutiny analysis to determine constitutionality. *Id*. First, to be protected, the speech must concern lawful activity and not be misleading. *Id*. at 566; *see Bolger v. Youngs Drug Products Corp*., 463 U.S. 60 (1983) (the First Amendment does not protect commercial speech for unlawful activities); *see also Friedman v. Rogers*, 440 U.S. 1, 12 (1979) (government may ban forms of communication more likely to deceive the public than to inform it). The bill applies to all covered direct-to-consumer advertising, not just advertising that is deceptive or unlawful.

Second, the State must show a substantial governmental interest in regulating the speech, and third, that the regulation directly advances that interest. *Id*. Finally, the State must show that the regulation is no more extensive than necessary. *See Recht v. Morrisey*, 32 F.4th 398 (4th Cir. 2022) (involving legal advertisements about medical devices or medications).

Whether a court would conclude that a state denying a tax deduction on direct-to-consumer marketing of prescription medication violates the First Amendment depends on the strength of the asserted state interest and evidence–which should be in the legislative record–supporting the necessity of the regulatory means chosen. The State has several potentially relevant interests, the most obvious being increasing State revenue.

While the proposed State income calculation law in HB 484 does not ban direct-to-consumer prescription drug advertising, in its application, it might make these types of advertisements more costly. Nonetheless, if the State can show evidence that the proposed law is a direct means to advance a substantial State interest, then the bill is more likely to be upheld if challenged under the First Amendment.

For these reasons, it is my view that HB 484 is not clearly unconstitutional and is defensible if challenged under the First Amendment.

Sincerely,

Shaunee L. Harrison
Assistant Attorney General

SB0987_UNF_MTC_Corporate Income Tax - Addition Mod
Uploaded by: Drew Vetter
Position: UNF

MARYLAND TECH COUNCIL
ADVANCING LIFE SCIENCES AND TECHNOLOGY

Senate Budget and Taxation Committee
March 11, 2026
Senate Bill 987 – *Corporate Income Tax – Addition Modification – Direct-to-Consumer Pharmaceutical Advertising*
POSITION: OPPOSE

The Maryland Tech Council (MTC), with over 800 members, is the State's largest association of technology companies. Our vision is to propel Maryland to be the country's number one innovation economy for life sciences and technology. MTC brings the State's life sciences and technology communities into a single, united organization that empowers members to achieve their goals through advocacy, networking, and education. On behalf of MTC, we submit this letter of **opposition** for Senate Bill 987.

Senate Bill 987 proposes to require corporations to add back to Maryland taxable income defined broadly as prescription drug products regulated under the Federal Food, Drug, and Cosmetic Act. The bill applies to any "covered entity," including drug sponsors and outsourcing facilities, as well as parent companies that indirectly own them. This scope captures a wide range of biotechnology, pharmaceutical, research, and manufacturing companies that operate in or invest in Maryland's bioscience corridor.

Unlike ordinary corporate deductions, which reflect legitimate business expenditures, Senate Bill 987 singles out one industry's federally recognized business activity—public-facing communication about new treatment options—and converts those expenses into a Maryland-specific tax penalty. This represents a sector-specific surcharge on biotech and pharmaceutical innovators, which could deter both established and emerging firms from expanding or locating in Maryland. The bill's language clearly requires adding back "the amount of certain direct-to-consumer advertising expenses… deducted under the Internal Revenue Code," thereby undermining long-standing federal tax treatment supporting innovation-driven industries.

Maryland competes nationally and globally for biotech investment. Our state currently benefits from a robust ecosystem anchored by the I-270 corridor, Johns Hopkins, the University of Maryland, and proximity to the National Institutes of Health, the Food and Drug Administration, and federal laboratories. Imposing a Maryland-only tax on a common business practice in the biotech sector sends a message that Maryland is a hostile tax environment for life sciences commercialization. Economic development decisions are highly sensitive to state tax structures, and targeted taxes like this one can discourage new research and development (R&D) facilities, clinical trial operations, and manufacturing investments.

The General Assembly and multiple Administrations have invested heavily in attracting biotech companies through programs such as the Maryland Biotechnology Investment Tax Credit, R&D incentives, and workforce training. Senate Bill 987 moves in the opposite direction by creating a new disincentive uniquely affecting firms involved in pharmaceutical discovery, development, or commercialization. At a time when other jurisdictions—Massachusetts, North Carolina, and Pennsylvania—are increasing their incentives for life science companies, a targeted Maryland-only tax add-back could weaken our competitive position.

Many early-stage biotech companies rely on partnerships with larger pharmaceutical firms to commercialize innovations originating in Maryland. Policies that penalize commercialization-related activity can reduce the willingness of larger firms to enter into licensing agreements, co-development partnerships, and long-term investment strategies with Maryland-based startups. This slows the entire innovation pipeline and reduces economic opportunity statewide.

For these reasons, Maryland's life science and biotech industries would likely view Senate Bill 987 as a step backward, introducing uncertainty and punitive tax treatment at a time when the state should be working to strengthen, not hinder, our innovation economy. While concerns about drug costs are important and deserve thoughtful public policy solutions, targeted tax penalties on scientific enterprises are not the appropriate path.

For more information call:
Andrew G. Vetter
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SB 987_MDCC_Corporate Income Tax-Addition Modifica
Uploaded by: Hannah Allen
Position: UNF

MARYLAND
Chamber of Commerce

Senate Bill 987

Position: Unfavorable
Committee: Budget & Taxation
Date: March 11, 2026

Founded in 1968, the Maryland Chamber of Commerce (the Chamber) is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees, and families.

Senate Bill 987 (SB 987) would require corporations to add back to their Maryland taxable income the amount deducted under federal law for expenses related to direct-to-consumer pharmaceutical advertising. In effect, the bill eliminates the deductibility of these advertising expenses for Maryland corporate income tax purposes.

SB 987 represents a significant departure from long-standing and well-established principles of tax policy. For more than a century, advertising expenses have been treated as ordinary and necessary business expenses under both federal and Maryland tax law. This consistent treatment reflects the fundamental role advertising plays in supporting lawful commerce, consumer awareness, and economic activity across industries. Singling out one category of advertising for different tax treatment undermines the neutrality and predictability that businesses rely on when making investment, hiring, and pricing decisions.

Of particular concern is the precedent this bill would set. Once the State begins selectively disallowing business expense deductions for a specific industry or activity, it raises broader questions about the stability of Maryland's tax code. Businesses across sectors, large and small, depend on a tax system that applies rules consistently rather than targeting particular industries. SB 987 introduces uncertainty that could have chilling effects well beyond the pharmaceutical sector.

The bill also risks negative economic consequences for Maryland's broader business ecosystem. Advertising supports a wide range of in-state jobs, including marketing professionals, media outlets, creative services, data analytics firms, and small businesses that depend on advertising revenue. Increasing the cost of advertising for any sector will inevitably ripple through this ecosystem, potentially reducing economic activity and increasing costs that are ultimately borne by consumers.

In addition, SB 987 sends an unfavorable signal at a time when states are actively competing to attract and retain private-sector investment. Maryland should be focused on improving its competitiveness and cost structure, not adopting targeted tax policies that may discourage business activity or raise concerns among employers evaluating long-term investments in the State.

Lastly, selectively denying a tax deduction based on the content of advertising raises serious constitutional concerns and exposes the State to litigation risk. Policies that rely on content-based distinctions in the tax code may ultimately fail to withstand judicial scrutiny, creating uncertainty around both enforcement and anticipated revenues.

SB 987 raises significant legal, economic, and policy concerns that warrant serious consideration by the Committee.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **unfavorable report on SB 987.**

SB987 - MDDC Unfavorable.pdf
Uploaded by: Rebecca Snyder
Position: UNF

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MDDC PRESS ASSOCIATION
MDDCPRESS.COM

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To: Budget & Tax Committee

From: Rebecca Snyder, Executive Director, MDDC Press Association

Date: March 9, 2026

Re: SB 987– UNFAVORABLE

The Maryland-Delaware-District of Columbia Press Association represents a diverse membership of news media organizations. Our membership ranges from large metro dailies such as the Washington Post and the Baltimore Sun, to hometown newspapers such as the Star Democrat and Dorchester Star, to publications such as The Daily Record, Baltimore Jewish Times, and online-only publications such as the Baltimore Banner, Maryland Matters and Baltimore Brew. Our membership spans both for-profit and nonprofit organizations and reflects the full ecosystem of local journalism relied upon by Marylanders every day.

The Press Association opposes SB 987 unless a clarifying amendment is made to exempt news media websites as well as the print versions. This bill would remove the deductibility in Maryland of certain direct to consumer advertisements.

We recognize that Page 2, line 27-29 exempts print periodicals and journals from this bill. We urge a further amendment that clarifies that the digital products and websites of those journals and periodicals are also covered under the exemption. With the amended language, the lines could read:

“DIRECT–TO–CONSUMER ADVERTISING” DOES NOT INCLUDE AN ADVERTISEMENT MADE THROUGH PUBLICATION IN JOURNALS AND OTHER PERIODICALS **AND THEIR ASSOCIATED DIGITAL PRODUCTS AND WEBSITES**.

This amendment recognizes that many of the advertising buys of local news media include both print and digital products within the news media organization.

We urge an unfavorable report if this amendment is not adopted.

We believe a strong news media is central to a strong and open society.