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**HB1384 – Maryland Medical Assistance Program - State Pharmacy Benefits Manager**

Chairwoman Bagnall, Vice Chair Cullison, and members of the committee, thank you for the opportunity to present HB1384 – Maryland Medical Assistance Program: State Pharmacy Benefits Manager. The bill is straightforward: it requires the State to establish a single, state-contracted pharmacy benefits manager (PBM) to administer prescription drug benefits for Medicaid managed care organizations. Currently, MCOs may contract with any PBM, and as this committee has heard over the years, vertical integration in the healthcare space—where PBMs, MCOs, insurers, and pharmacies can be owned by a single entity—has disadvantaged small, independent pharmacy owners. This bill sets Maryland on a new path that supports patients, strengthens independent pharmacies, and corrects a “race to the bottom” in pricing, reimbursement and access.

This concept is not unprecedented. Last year, legislation tasked the Maryland Insurance Administration and the Department of Health with forming a workgroup to study pharmacy and PBM issues, including the concept in this bill. I want to thank the Insurance Commissioner and her team for their leadership on matters within their regulatory scope. However, the other agency has largely remained on the sidelines, providing little clarity about Medicaid plans for 2026. To my knowledge, stakeholders have not received a clear plan for how the workgroup will operate this year.


Because of this uncertainty, I introduced this bill, which is largely modeled on a law passed in Virginia last year. Virginia’s Medicaid program submitted a comprehensive 100-page report in December outlining both the benefits and challenges of moving to a single PBM. Key findings relevant to this bill include:

- Reduced administrative burden for pharmacy providers.
- Administrative savings from efficiencies and economies of scale, with PBM fees consolidated to a single entity.

- Greater transparency and oversight of Medicaid PBM activities, ensuring compliance with state and contractual requirements.
- MCO pharmacy claims currently carry lower dispensing fees than Fee-for-Service, which are often below the actual cost for pharmacies to dispense medications.
- While Virginia estimated implementation costs between \$6 and \$9 million, potential annual savings by Year 2 could range from \$10 to \$22 million.

I am frustrated that the current system delays patient care, drives independent pharmacy owners out of business, and wastes taxpayer money. While the upfront costs are significant, the potential for long-term savings, improved efficiencies, and better outcomes for vulnerable Marylanders is substantial. I believe this bill is a strong first step toward a more equitable and efficient healthcare system in Maryland, and I respectfully ask for a favorable report.

Yours truly,



Nicholaus R. Kipke