



OPPOSE HB 1117

Undermines Plan Sponsors' Ability to Keep Specialty Drug Costs Down

- Specialty drugs comprise about 1 percent of prescriptions, but account for 25 percent of prescription drug spending, and approximately 40 percent of drugs under development are specialty drugs.¹ Given these significant and growing cost pressures, plan sponsors must utilize every tool available to build affordable products for enrollees.
- PBMs and their health plan and employer clients use specialty pharmacies to deliver high quality, accessible pharmacy services while promoting product affordability. Flexibility to continue contracting with these select pharmacies is the key to ensuring access and promoting affordability in Maryland.
- When an employer or health plan decides to contract with a PBM to administer their pharmacy benefit, they maintain authority over the terms and benefit plan design. The employer or plan—not the PBM—makes decisions regarding cost-sharing requirements, formularies, and networks, including the use of home delivery or specialty pharmacy.
- Health plans and PBMs typically contract with selected specialty pharmacies in their pharmacy networks to assure high-quality services, avoid waste, and ensure appropriate use of the medications.
- Specialty pharmacy accreditation is a baseline requirement for inclusion in PBM preferred specialty pharmacy networks, which sometimes have additional quality requirements to ensure even higher levels of clinical and logistical support for patients.
- Of the 64,000 pharmacies in the U.S., 378 have achieved specialty pharmacy accreditation from either URAC or the Accreditation Commission for Health Care (ACHC). One-quarter of these pharmacy locations are accredited by both organizations.

Interference in Private Contracting will Raise Prescription Costs in Maryland

- This bill erodes the effectiveness of pharmacy network contracts and is likely to substantially increase costs to Maryland consumers and plan sponsors.
- The effect of the legislation would not likely be a rush of retail pharmacies offering new price concessions to compete with mail-service and specialty pharmacies, but rather the undermining of price concessions offered by mail-service and specialty pharmacies based on superior economies of scale and performance in areas such as formulary compliance.
- Furthermore, the bill would require that plan sponsors put confidential information on pharmacy performance metrics online. These are important terms and conditions that should not be publicly disclosed because those terms and conditions are proprietary and help competitors differentiate themselves from one another as they build networks for plan sponsors.

¹ *Specialty Drugs and Pharmacies*, National Center for Policy Analysis, May 22, 2014.



How Specialty Pharmacy Networks Keep Specialty Drug Prices Down

- Specialty pharmacies were established in direct response to the industry's need to better procure, store, and dispense specialty drugs, as well as better manage therapy for patients on specialty drugs. Among other things, these pharmacies specialize in the unique storage and shipping requirements that oral, injectable, inhalable, and infusible products require.
- In many cases, these specialty drugs offer the most effective—and in some cases the only—treatment for illnesses and conditions that historically had few treatment options. They are *not* stocked at a majority of retail pharmacies.
- Specialty drugs help patients get the best value from their specialty drugs. Many specialty drugs are dispensed in low volumes and target rare disorders, making it infeasible for these drugs to be carried by more than a few pharmacies.
- Specialty pharmacies can serve an entire region or the whole nation using sophisticated information technology and logistics to dispense medications directly to the patient's home or physician's office. This targeted distribution keeps the price of these already expensive medications lower than it would be if every pharmacy across the country had to stock these specialty drugs.
- In 2014, the Federal Trade Commission stated that, "[r]equiring prescription drug plans to contract with any willing pharmacy would reduce the ability of plans to obtain price discounts based on the prospect of increased patient volume and thus impair the ability of prescription drug plans to negotiate the best prices with pharmacies."² Therefore, if PBMs must contract with every pharmacy, costs will increase.

² FTC Letter to CMS (March 7, 2014), https://www.ftc.gov/system/files/documents/advocacy_documents/federal-trade-commission-staff-comment-centers-medicare-medicaid-services-regarding-proposed-rule/140310cmscomment.pdf.