February 20, 2019

The Honorable Delores G. Kelley

Chair, Senate Finance Committee

3 East, Miller Senate Office Building

Annapolis, MD 21401

**RE: OPPOSE S.B. 405 – Health Insurance - Prescription Drugs - Formulary Changes**

Dear Chair Kelley:

The Pharmaceutical Care Management Association is the national association representing America’s pharmacy benefit managers (PBMs). PBMs administer prescription drug plans and operate mail-order and specialty pharmacies for more than 266 million Americans with health coverage through Fortune 500 companies, health insurers, labor unions, Medicare, Medicaid, and other programs.

Prescription drug formularies are developed by a payer’s Pharmacy and Therapeutics (P&T) Committee, made up of primary care and specialty physicians, pharmacists, and other health care professionals. P&T Committees evaluate available clinical evidence to select the best drugs for various conditions. A plan sponsor reviews its formulary based on anticipated drug approvals. A more effective and/or less expensive alternative may hit the marketplace during a plan year, and plan sponsors would be doing patients a disservice if they were not nimble in making formulary decisions, including utilization management protocols, to deliver the highest value drug benefit. In recent years, there have been notable examples of drug manufacturers—even generic manufacturers—egregiously inflating the price of their products. Having the flexibility to change a formulary, either by moving the drug to another tier or removing the drug entirely, is a powerful tool that should not be curtailed.

The National Academies of Sciences, Engineering, and Medicine recommends “expand[ing] flexibility in formulary design” as a strategy to improve the affordability of prescription drugs.[[1]](#endnote-1) Milliman examined legislative efforts to restrict payers’ ability to make mid-year formulary changes that would limit coverage of or increase out-of-pocket costs for a specific drug, estimating that such legislation would increase drug costs in the fully-insured commercial market by approximately $4.84 billion nationwide from 2017 through 2021.[[2]](#endnote-2)

We stand ready to work with you, Senator Hayes, and the rest of the Committee to find ways to ensure access to affordable prescription drugs in Maryland. However, we urge Members of the Committee to vote no on this bill. Thank you for your consideration.

Sincerely,



R. Scott Woods

Senior Director, State Affairs

Pharmaceutical Care Management Association

1. National Academies of Sciences, Engineering, and Medicine. (2017). *Making Medicines Affordable: A National Imperative*. Available at: http://nationalacademies.org/hmd/Reports/2017/making-medicines-affordable-a-national-imperative.aspx. [↑](#endnote-ref-1)
2. Milliman, Inc. (2017). Estimated Cost of Potential “Frozen Formulary” Legislation: Fully-Insured Commercial Payer Impact, 2017-2021. Available upon request. [↑](#endnote-ref-2)