Maryland
INSURANCE ADMINISTRATION

Maryland
DEPARTMENT OF HEALTH

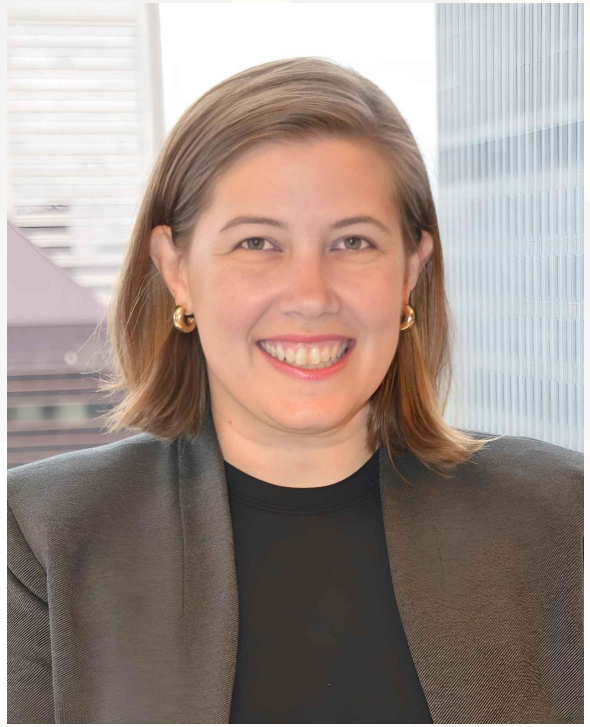
Pharmacy Benefits Managers Workgroup

Meeting #2

Tuesday, June 30, 2026

Co-Chairs: Mary Kwei, MIA, Associate Commissioner, Market Regulation and Professional Licensing
Athos Alexandrou, MDH, Director, Office of Pharmacy Services

First - A Few Words



Marie Grant
Commissioner
Maryland Insurance Administration

Bonnie Cullison
Delegate, Montgomery County
Vice Chair of the Health Committee

Steve Johnson
Delegate, Harford County
Chair of the Health Committee's
Pharmaceuticals Subcommittee

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

Workgroup Members

Entity Required to be Represented	Representative Name	Representative's Organization
community pharmacies - chain setting	Jill McCormack	National Association of Chain Drug Stores
community pharmacies - independent setting	Steve Wienner	Mt. Vernon Pharmacy
pharmacy services administrative organizations	Brian Hose	EPIC Pharmacy Network
health insurance carriers	Kim Robinson	CareFirst
plan sponsor representatives	Beverly Churchill	Queen Anne's County
drug wholesalers and distributors	Leah Lindahl	Healthcare Distribution Alliance
non–pharmacy benefit manager–owned mail order pharmacies	Scott Glasscock	Walmart

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

Workgroup Members

Entity Required to be Represented	Representative Name	Representative's Organization
brand name drug manufacturers	Jay Eberle	AstraZeneca
generic drug manufacturers	VACANT	
pharmacists	Aliyah Horton	Maryland Pharmacists Association
pharmacy benefit managers	Heather Cascone	PCMA
third party experts in the field of drug pricing in Medicaid	Allan Hansen	Myers and Stauffer
managed care organizations	Meredith Fleming	WellPoint
Maryland Board of Pharmacy (*not a required entity)	Deena Speights-Napata	Maryland Board of Pharmacy

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

Today's Discussion

I. Charge to Study the Definition of "Specialty Drug"

II. Questions for Group Discussion

III. Information Provided by Workgroup Members

IV. Follow-up From Previous Meeting

V. Comments from Workgroup Members

VI. Comments from Public Stakeholders, as time allows

VII. Closing Remarks

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

Specialty Drugs - Definition and Coverage Requirements

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

HB 813 (2025)

"(3) review coverage requirements for specialty drugs, including:

(i) which drugs are considered specialty for purposes of formularies across carriers and pharmacy benefits managers; and

(ii) what these drugs have in common for purposes of developing a new definition for "specialty drug";

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

HB 1469 (2026)

(c) The workgroup shall study the definition of “specialty drug” established under 1 § 15–847 of the Insurance Article to:

(1) determine:

(i) which stakeholders benefit from the definition;

(ii) which stakeholders are disadvantaged by the definition;

(iii) how each stakeholder group applies the definition;

(iv) the impact of the definition on patients; and

(v) any unintended consequences of the definition;

(2) compare the definition to other definitions of “specialty drug” used in:

(i) federal law;

(ii) other states’ laws, and

(iii) international law; and

(3) make a recommendation for a new definition of “specialty drug” that is in the best interest of patients and all stakeholders in the State.

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

What is a Specialty Drug?

Insurance Article §15–847:

…

(5) (i) "Specialty drug" means a prescription drug that:

1. is prescribed for an individual with a complex or chronic medical condition or a rare medical condition;
2. costs $600 or more for up to a 30–day supply;
3. is not typically stocked at retail pharmacies; and
4. A. requires a difficult or unusual process of delivery to the patient in the preparation, handling, storage, inventory, or distribution of the drug; or

B. requires enhanced patient education, management, or support, beyond those required for traditional dispensing, before or after administration of the drug.

(ii) "Specialty drug" does not include a prescription drug prescribed to treat diabetes, HIV, or AIDS.

…

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

Where Marylanders can Obtain Specialty Drugs

Insurance Article §15–847:

…

(d) Subject to subsection (h) of this section and § 15–805 of this subtitle, notwithstanding § 15–806 of this subtitle, and except as provided in § 15–847.2 of this subtitle, this article or regulations adopted under this article do not preclude an entity subject to this section from requiring a covered specialty drug to be obtained through:

(1) a designated pharmacy or other source authorized under the Health Occupations Article to dispense or administer prescription drugs; or

(2) a pharmacy participating in the entity's provider network, if the entity determines that the pharmacy:

(i) meets the entity's performance standards; and

(ii) accepts the entity's network reimbursement rates.

…

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

Questions for Group Discussion

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

What are the benefits and drawbacks of § 15-847 to Maryland consumers and patients as it exists today? What are the impacts of the law on health care premium costs, consumer out of pocket spending, and patient access and quality of care?

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

What are the specific elements of the current definition of specialty drug that are beneficial to Maryland consumers and patients for cost, quality and access - and why?

What specific elements have detrimental aspects on cost, quality and access and why?

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

If there are aspects of the definition that are detrimental to Maryland consumers and patients, how would you change the definition to be most beneficial for access, quality, and cost?

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

How do the current exemptions from the specialty drug law for oncology, diabetes, HIV, and AIDS impact patient premium costs, out of pocket spending, and patient access and quality of care?

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

What types of requirements must pharmacies meet to enter an insurer's specialty network and what is the rationale for these requirements?

What is the benefit of restricting specialty drug availability to pharmacies that have been credentialed as specialty pharmacies by URAC or a similar body?

Are there other ways for insurers to set requirements for entry of a pharmacy into a specialty network beyond URAC accreditation?

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

What are the typical services that comprise “enhanced patient education, management, or support” beyond those required for traditional dispensing, and why is a specialty pharmacy necessary to provide those services?

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

Follow-up from Previous Meeting

Presented by Athos Alexandrou, Maryland Medicaid and Allan Hansen, Myers and Stauffer

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

HB 813 - Charge #5

"(5) review the costs associated with pharmacies contracting with commercial plans versus pharmacies contracting with the Maryland Medical Assistance Program"

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

HB 813 Charge #5 - Items for Review

- Participation Costs and Fees
  - Costs for providers to participate in the PBM's network
- Transaction Fees including Retrospective Reimbursement Adjustments
  - Fees assessed by PBMs for each claim submitted for processing
  - Retrospective adjustments to pharmacy's reimbursement (GER/BER)
- Reimbursement Trends
  - Average reimbursement rates for ingredient cost and professional dispensing fee

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Cost and Reimbursement Features Compared

1. Pharmacy Network Application, Enrollment, and Inspection Fees
2. Transaction Fees
3. Specialty Pharmacy Accreditation
4. Retrospective Reimbursement Adjustments associated with Brand Effective Rates (BER) or Generic Effective Rates (GER)
5. Typical Reimbursement Structure

Plan Types Compared

1. Maryland Medicaid Fee-for-Service (FFS)
2. Maryland Medicaid HealthChoice Managed Care (MCOs)
3. Commercial Plans

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Pharmacy Network Application, Enrollment, and Inspection Fees

<u>Maryland Medicaid Fee-for-Service (FFS)</u>

- Within the FFS program, Maryland does not assess pharmacies an application fee for enrollment.

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Pharmacy Network Application, Enrollment, and Inspection Fees *cont.*

Maryland Medicaid HealthChoice Managed Care (MCOs)

- **HealthChoice Contract Requirements:** Requires that MCOs refrain from collecting membership fees or similar fees from pharmacies or other contracted entities acting on behalf of pharmacies as a condition of claims payment or network inclusion.
- **Observations:** MDH surveyed HealthChoice MCOs to determine if PBMs required pharmacies to incur costs for network participation, such as an application fee or credentialing fee. The findings of the survey indicated that several PBMs may charge application fees within commercial networks but waive such fees specifically for pharmacies that wish to only participate in Maryland HealthChoice. One MCO reported that its PBM may be charging such fees for HealthChoice participation. One PBM on behalf of two different MCOs reported that they do not charge any application, enrollment, or inspection fees for pharmacies to participate in their networks. MDH will increase oversight on this issue to ensure future compliance.

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Pharmacy Network Application, Enrollment, and Inspection Fees *cont.*

Commercial Plans

- **Applicable Maryland Law:** *Maryland Insurance Article §15–1628* For purposes of credentialing a pharmacy or a pharmacist as a condition for participating in a PBM's network for a carrier, the pharmacy benefits manager may not require a pharmacy or pharmacist to renew credentialing more frequently than once every 3 years; or charge a pharmacy or pharmacist a fee for the initial credentialing or renewing credentialing.
- **Observations:** Responses to the same aforementioned survey conducted by MDH of HealthChoice MCOs suggested that the PBMs may charge application fees to pharmacies to join their pharmacy network outside of HealthChoice, and that, in some cases, inspection fees may also be charged. However, the survey did not collect specific information regarding all circumstances in which such fees may be charged and did not collect information regarding the timing and/or frequency of these fees.

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Transaction Fees

<u>Maryland Medicaid Fee-for-Service (FFS)</u>

- Within the FFS program, Maryland does not assess transaction fees to pharmacies.

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Transaction Fees *cont.*

Maryland Medicaid HealthChoice Managed Care (MCOs)

- **HealthChoice Contract Requirements:** Requires that MCOs refrain from collecting direct or indirect remuneration fees, membership fees, transaction fees, or similar fees from pharmacies or other contracted entities acting on behalf of pharmacies as a condition of claims payment or network inclusion.
- **Observations:** Through ongoing monitoring, MDH has identified isolated instances where PBMs contracted with HealthChoice MCOs assessed transaction fees. MDH has collaborated with the parties involved to resolve these situations to ensure compliance.

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Transaction Fees *cont.*

<u>Commercial Plans</u>

- **Applicable Maryland Law:** *Maryland Insurance Article §15–1628.3* includes prohibitions of a PBM to assess certain fees to pharmacies but does not specifically reference transaction fees.
- **Observations:** Pharmacy network contracts frequently reference transaction fees, which typically range from **$0.10** to **$0.15** per transaction, though lower fees are occasionally observed. In jurisdictions in which transaction fees are prohibited, network contracts frequently have addendums indicating that the transaction fees are inapplicable to those specific programs.

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Specialty Pharmacy Accreditation

<u>Maryland Medicaid Fee-for-Service (FFS)</u>

- Within the FFS program, Maryland does not require accreditation for pharmacies to dispense specialty drugs.

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Specialty Pharmacy Accreditation *cont.*

Maryland Medicaid HealthChoice Managed Care (MCOs)

- **HealthChoice Contract Requirements:** Does not include restrictions such that a PBM cannot mandate accreditation of specialty pharmacies. HealthChoice MCOs are prohibited from classifying drugs for treatment of diabetes, HIV, or AIDS from being classified as specialty drugs.
- **Observations:** Some MCOs/PBMs within the HealthChoice program require that specialty drugs only be dispensed by accredited pharmacies and may mandate accreditation from specific organizations. Analysis of HealthChoice pharmacy claims supports the premise that specialty drugs are dispensed more frequently by PBM-affiliated specialty pharmacies.

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Specialty Pharmacy Accreditation *cont.*

Commercial Plans

- **Observations:** PBMs in commercial health plan environments may require that specialty drugs only be dispensed by accredited pharmacies and mandate accreditation from specific organizations. Pharmacies become accredited as specialty pharmacies through a multi-step process that can take up to a year to complete. They typically utilize organizations such as URAC or the Accreditation Commission for Health Care (ACHC) to verify their capabilities. Accreditation costs vary significantly—often ranging from thousands to tens of thousands of dollars—and are generally not publicly disclosed. Accreditation typically requires periodic renewals.

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Retrospective Reimbursement Adjustments associated with Brand Effective Rates (BERs) or Generic Effective Rates (GERs)

Maryland Medicaid Fee-for-Service (FFS)

- Within the FFS program, Maryland does not include BER or GER terms; there are no retrospective reimbursement adjustments.

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Retrospective Reimbursement Adjustments associated with Brand Effective Rates (BERs) or Generic Effective Rates (GERs) *cont.*

Maryland Medicaid HealthChoice Managed Care (MCOs)

- **HealthChoice Contract Requirements:** Requires that MCOs refrain from collecting direct or indirect remuneration fees, membership fees, transaction fees, or similar fees from pharmacies or other contracted entities acting on behalf of pharmacies as a condition of claims payment or network inclusion.
- **Observations:** Over several years of monitoring, MDH has become aware of limited circumstances in which PBMs contracted to HealthChoice MCOs were performing retrospective reimbursement adjustments. MDH has collaborated with the parties involved to resolve these situations to ensure compliance.

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Retrospective Reimbursement Adjustments associated with Brand Effective Rates (BERs) or Generic Effective Rates (GERs) *cont.*

Commercial Plans

- **Applicable Maryland Law:** *Maryland Insurance Article §15–1628.3* includes prohibitions of a PBM to assess certain fees to pharmacies including performance-based fees, adjudication fees, reductions in payments for pharmacy services through either a reconciliation or effective rate process or any other aggregate reduction in fees.
- **Observations:** Pharmacy network contracts between PBMs and pharmacies within a commercial network frequently include BER and GER terms. These are aggregate reimbursement commitments that stipulate the overall average percentage of Average Wholesale Price (AWP) a pharmacy will be paid for all brand or generic drugs over a contract year, rather than guaranteeing a specific rate on every individual claim. The use of these terms are typically associated with proprietary Maximum Allowable Cost (MAC) pricing which may change frequently and additionally retrospective reimbursement adjustments occurring on a periodic basis (e.g., annually) to create a positive or negative “true-up” to achieve the effective rate. In jurisdictions where effective rates or retrospective reimbursement adjustments are prohibited, network contracts often include addenda stating that BER or GER clauses are inapplicable to those specific programs.

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Typical Reimbursement Structure

Maryland Medicaid Fee-for-Service (FFS)

Ingredient Cost Reimbursement

Lower of:

- NADAC, or
- Usual and Customary (U&C) charges

If no NADAC exists, then the lower of:

- WAC+0%,
- FUL (for generic drugs),
- SAAC, and
- Usual and Customary (U&C) charges

Professional Dispensing Fees

- **$10.67** for brand-name and generic drugs
- **$11.67** for brand-name and generic drugs dispensed to FFS participants residing in nursing home facilities
- **$12.12** for drugs purchased through the 340B Drug Pricing Program

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Typical Reimbursement Structure cont.

Maryland Medicaid HealthChoice Managed Care (MCOs)

- **HealthChoice Contract Requirements:** The MCO agrees… "To require PBMs to consider both ingredient costs and dispensing fees when determining reimbursement to pharmacies."
- **Observations:** Based on MDH oversight of PBMs contracted to MCOs participating in the HealthChoice program, the ingredient reimbursement terms of PBM/Pharmacy network contracts are typically based on discounts from AWP for brand name drug products and on either proprietary Maximum Allowable Cost (MAC) rates or discounts from AWP for generic drug products. Pricing for specialty drugs was typically based on a fee schedule (per drug) or discounts from AWP. MCOs generally report adherence to HealthChoice contract requirements, citing good-faith negotiations and the alignment of reimbursement terms with current market practices.

  Typical pricing for brand drugs was in the range of AWP minus 16% to AWP minus 24%. Typical pricing for generic drugs, including the impact of MAC pricing, was in the range of AWP minus 80% to AWP minus 90%. Typical pricing for brand specialty drugs was in the range of AWP minus 16% to AWP minus 20%. According to the NADAC Equivalency Metrics published by CMS, for brand name drugs, the NADAC is approximately equal to AWP minus 20%; for generic drugs, the NADAC is approximately equal to AWP minus 90%.

  Dispensing fees within the HealthChoice program have been observed to be nominal and generally less than **$1.00**.

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

HB 813 - Charge #5 *cont.*

Typical Reimbursement Structure *cont.*

Commercial Plans

- **Applicable Maryland Law:** Maryland Insurance Article §15–1628.1 includes requirements relating to MAC pricing. Maryland Insurance Article §15–1628.2 includes requirements relating to disputes regarding pharmacy pricing.
- **Observations:** Pharmacy reimbursements under commercial health plans/PBMs tend to be structured similar to those used within HealthChoice. Depending on specific "pharmacy networks" that health plans opt to implement, exact ingredient reimbursement terms can be moderately more or less as compared to reimbursement terms typically observed to exist within PBM/pharmacy contract terms used within the HealthChoice program.

  The use of dispensing fees that are either **$0.00** or of a nominal amount is frequent.

  Some commercial PBMs have recently introduced "cost plus" reimbursement methodologies for health plans to consider. While such plans appear to be intended to reflect something closer to an actual acquisition cost and professional dispensing fee paradigm (similar to FFS Medicaid), precise details on pricing benchmarks and dispensing fees are generally not publicly available for evaluation.

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

Questions and/or Comments from Workgroup Members

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

Questions and/or Comments from Public Stakeholders

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

Written Comments

Written comments will be accepted though **EOD Tuesday, July 14, 2026**, on the topics covered in today's meeting.

Those can be submitted via email to:

pharmacyservicesworkgroup.mia@maryland.gov

Maryland DEPARTMENT OF HEALTH

Maryland INSURANCE ADMINISTRATION

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

Contact Information

Maryland Insurance Administration

800-492-6116 (toll-free)

410-468-2000 (local)

800-735-2258 (TTY)

insurance.maryland.gov

MIA WEBSITE

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION

Connect on Social Media

- MDInsuranceAdmin
- en Español: MDInsuranceAdminES
- Maryland Insurance Administration
- Maryland Insurance Administration
- MarylandInsuranceAdmin
- MD_Insurance
- https://bit.ly/mdmiayoutube
- Maryland Insurance Administration

https://qrco.de/miasocialmedia

Maryland
DEPARTMENT OF HEALTH

Maryland
INSURANCE ADMINISTRATION