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Pharmacy Benefits Managers Workgroup

Meeting #3

Tuesday, July 28, 2026

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

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

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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

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Today's Discussion

I. Presentation on Specialty Pharmacies
   A. Stacy L. Hall, Lumicera Health Services
II. Initial Overview of Charge #2, Pharmacy Reimbursement
   A. Guest Speaker - The Hilltop Institute at UMBC
   B. Guest Speaker - Myers and Stauffer, LC
III. Comments from Workgroup Members
IV. Comments from Public Stakeholders, as time allows
V. Closing Remarks

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Specialty Pharmacy

July 28, 2026

Stacy Hall, MBA

Director of Government Relations

Lumicera Health Services

BIO

Stacy Hall is a seasoned healthcare and pharmacy executive with more than 25 years of experience driving strategic leadership, building high-impact relationships, and influencing meaningful change across the pharmacy landscape. A passion for connecting with diverse stakeholders, Stacy has a proven track record of aligning industry priorities with policy, innovation, and market strategy to achieve sustainable outcomes.

Stacy brings a deep expertise in pharmacy, healthcare legislation, and regulatory engagement, shaped by decades of hands-on leadership and national advocacy. She is highly skilled at working with all stakeholders in pharmacy, regulators, legislators, and industry leaders to advance shared objectives, leveraging credibility, trust, and strategic insight to move complex initiatives forward. Her leadership style emphasizes collaboration, clarity, and results, enabling organizations to navigate evolving healthcare challenges effectively.

An accomplished marketing strategist, Stacy has led innovative initiatives that strengthen organizational positioning, elevate brand visibility, and foster meaningful engagement across the healthcare ecosystem. Her executive perspective is informed by both operational leadership and external-facing roles for the pharmacy profession.

Most recently, Stacy served as Chief Executive Officer of the Florida Pharmacy Association, where she led the organization through strategic growth, stakeholder engagement, and industry advocacy. She holds a Master of Business Administration with a concentration in Marketing and an emphasis in International Business, further reinforcing her ability to lead at the intersection of strategy, policy, and market impact.

Organizational Enterprise

Objectives

1

Support the Health Insurance Workgroup's evaluation of the definition of a specialty drug through education, stakeholder engagement, and collaboration.

2

Explore the evolving definitions and roles of specialty pharmacy across the healthcare continuum.

3

Demonstrate the clinical, operational, and patient care considerations that distinguish specialty drug dispensing from traditional pharmacy services.

4

Examine specialty pharmacy accreditation standards and their impact on quality, safety, and patient outcomes.

5

Illustrate the value specialty pharmacies provide throughout the patient journey, with a focus on access, adherence, outcomes, and patient-centered care.

No Single, Universally Accepted Definition of Specialty Pharmacy or Specialty Drug

Federal/Medicare	CMS generally identifies specialty drugs through high-cost thresholds/Med D specialty Tier
State and Regulatory Approach	State pharmacy laws and regulations vary
Accreditation Organizations	Emphasize medications requiring special handling
Internal Markets	No formal “specialty drug” designation

Specialty Drug Dispensing vs. Traditional Pharmacy Services

Retail Pharmacy	Specialty Pharmacy
Plays a vital role in healthcare delivery	Focused on managing complex and specialty therapies
Serves a broad patient population, including some specialty patients	Dedicated to a higher volume of specialty patients
May have access to specialized clinicians	Specialized clinical teams with disease-specific expertise
Resources and support services may be limited	Robust patient management, including prior authorization support, financial assistance, and provider coordination
Primarily focused on dispensing medications	Provides comprehensive patient education, including injection training and therapy management
Standard patient interactions	Enhanced patient experience with greater time, comfort, and privacy
Limited ongoing monitoring	Proactive refill management and regular clinical assessments
Clinical support varies by location	End-to-end care coordination focused on improving adherence and outcomes

Both retail and specialty pharmacies play important roles in patient care; they are vital in our healthcare ecosystem. Specialty pharmacies offer enhanced infrastructure, clinical support, and care coordination designed to help patients successfully navigate complex therapies.

Accreditation Landscape

Organization	Focus Area	Key Differentiator
URAC (Utilization Review Accreditation Commission)	Quality management, patient outcomes, and operational performance	Washington, DC-based organization with more than 30 years of specialty pharmacy accreditation experience
The Joint Commission (TJC)	Patient safety and continuous quality improvement	Nonprofit organization established in 1951 and recognized across the healthcare continuum
Accreditation Commission for Health Care (ACHC)	Specialty service evaluation and regulatory compliance	Longstanding accreditor with a strong focus on operational standards and specialty-specific programs

- Beyond the Core: Oncology, Immunology, Neurology Centers of Excellence

Patient Journey

Initial Patient Connection

Clinicians connect with the patient to help with:

- Understanding needs
- Investigating and verifying patient's benefits
- Helping find financial assistance

Continuous Patient Engagement

Subsequent multi-channel patient outreach includes:

- Proactive check ins
- Clinical education & coaching
- Finding access solutions
- Multi-channel communication

Outcome Optimization

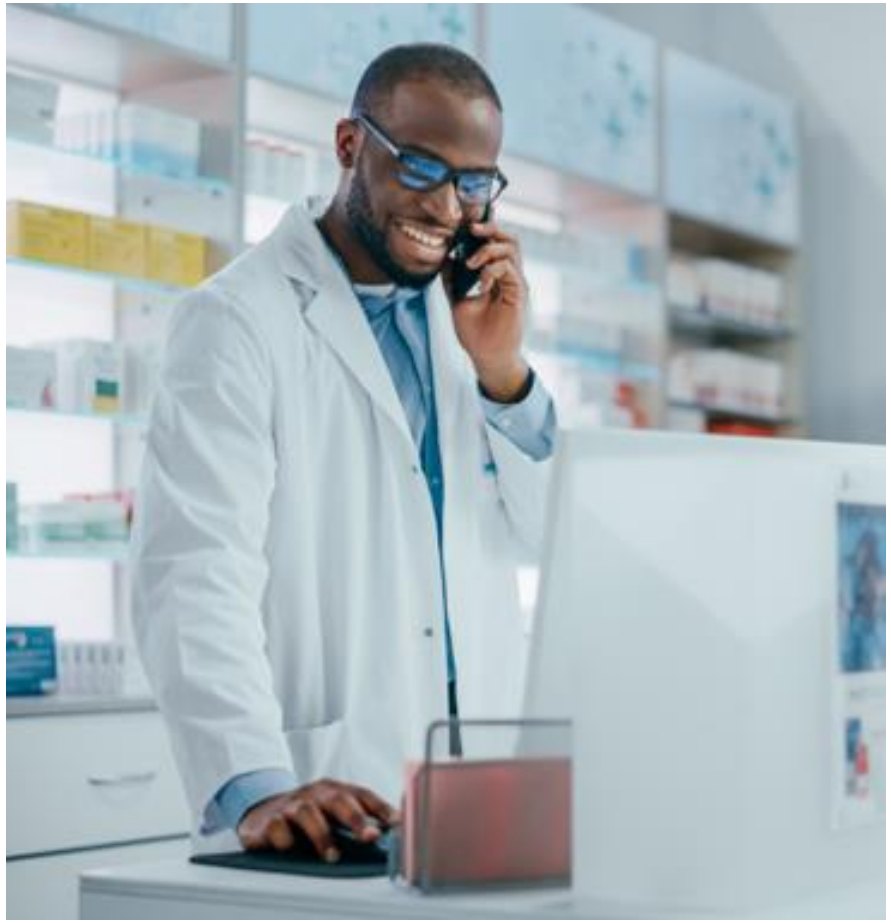
Outreach result in:

- Customized clinical programs
- Adherence monitoring (PDC/MPR)
- Patient reported outcomes

Caring, Individualized Support

Clinical intervention, certified specialty pharmacists and nurses on staff, Centers of Excellence, 24/7 availability

Special Invitation to Experience Specialty Pharmacy in Action



We welcome the opportunity to host a specialty pharmacy site visit to further support the important work this group has tasked with.

During your visit you can:

- Observe specialty pharmacy operations
- Learn about patient support and care coordination services
- Review accreditation and quality standards
- See how specialty pharmacies help patients access and adhere to therapy

Thank you!

Stacy Hall, MBA
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Initial Overview of HB 813 Charge #2 – Pharmacy Reimbursement

Presented by Athos Alexandrou, Maryland Medicaid,
The Hilltop Institute at UMBC,
and Myers and Stauffer, LC

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HB 813 Charge #2

"(2) review reimbursement for pharmacists, including:

(i) existing Maryland Medical Assistance Program requirements for pharmacy benefits managers and managed care organizations related to dispensing fee reimbursement, pharmacy benefits managers fees charged to pharmacies and the Maryland Medical Assistance Program, transparency in pricing and reimbursement data, specialty drug designations, and appeals processes;

(ii) how other states' pharmacy benefits services operate in Medicaid, including in Ohio, Kentucky, New York, California, and West Virginia;

(iii) measures that offset the Department's costs to fund the Medicaid Managed Care Program and adopt NADAC plus the Fee–for–Service Professional Dispensing, including:

1. savings associated with NADAC ingredient cost pricing and managed care organizations; and

2. pharmacy benefits managers administrative fee consolidation and rebate allocations; and

(iv) strategies for adopting pharmacy reimbursement parity and drug pricing transparency"

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Summary of Existing Maryland Requirements

Presented by The Hilltop Institute at UMBC

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HB 813 – Charge #(2)(i)

"(2) review reimbursement for pharmacists, including:

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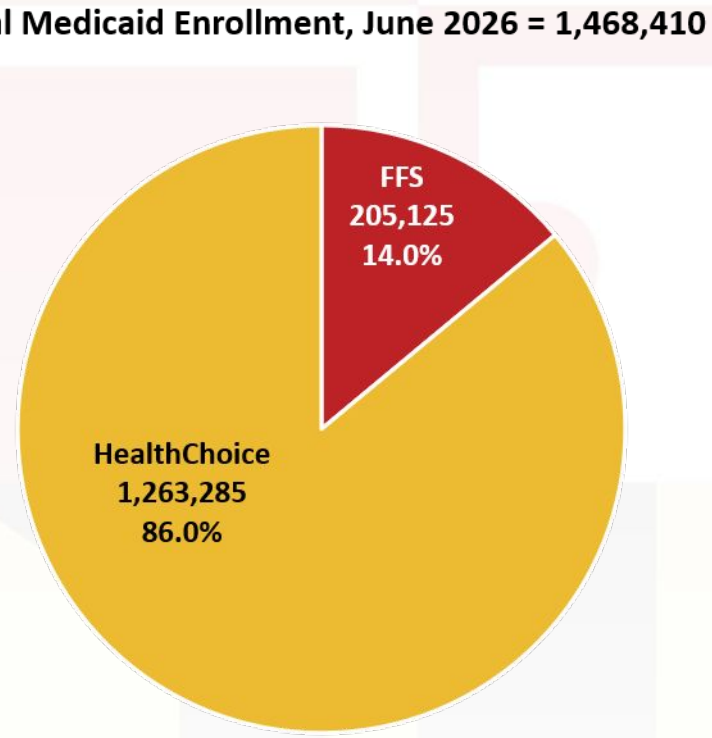
Background

- Maryland Medicaid insures 1 in 4 Marylanders
- Majority are enrolled in managed care through 9 managed care organizations (MCOs)
- Pharmacy benefit is “carved in” to the MCO benefit package
- MCOs contract with PBMs to help administer this pharmacy benefit
- These MCOs sign an annual agreement with the Department
- This agreement defines a PBM as a third-party administrator of a prescription drug program for an MCO, including but not limited to network management, drug utilization review, outcome management, and disease management
- The Department has increased PBM oversight in this agreement in recent years, including increased transparency and elimination of spread pricing



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MCO Contract Requirements: Reimbursement

- PBMs must consider both ingredient costs and dispensing fees when determining pharmacy reimbursement
- PBMs must disclose the amount the MCO paid the PBM and the amount the PBM paid the pharmacy, including the dispensing fee and ingredient cost when applicable for each claim
- PBM reimbursement must be based on the actual amount paid by the PBM to the pharmacy for dispensing and ingredient costs; ***spread pricing is prohibited***
- PBMs cannot collect direct or indirect remuneration fees, membership fees, transaction fees, or similar fees from pharmacies as a condition of claims payment or network inclusion or implement retrospective remuneration models
- PBMs cannot implement retrospective remuneration models

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MCO Contract Requirements: Transparency

- Full claim-level transparency of PBM payments
- MCOs must submit unredacted agreements between MCOs and PBMs to the Department upon request
- PBMs must submit unredacted pharmacy network agreements, contracts, rate sheets, and provider manuals to the Department upon request
- PBMs must disclose supplemental rebate allocation methodology between the PBM and MCO and report supplemental rebate revenue on the HealthChoice Financial Monitoring Report
- MCOs and PBMs must participate in monthly reconciliation activities with the Department's point-of-sale vendor for paid claims
- MCOs must conduct annual audits to review a PBM's performance and submit summary reports of the annual audit findings to the Department

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MCO Contract Requirements: Appeals

- Drug pricing appeals from pharmacies must be resolved within 21 days either by the MCO or PBM

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Overview of Other States' Pharmacy Benefits Services

Comparative approaches in Ohio, Kentucky, New York, California, and West Virginia

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HB 813 – Charge #(2)(ii)

"(2) review reimbursement for pharmacists, including:

(ii) how other states' pharmacy benefits services operate in Medicaid, including in Ohio, Kentucky, New York, California, and West Virginia"

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Overview

- Ohio, Kentucky, New York, California, and West Virginia are specifically named in the legislation because they changed benefit models, including:
  - Carving the pharmacy benefit out of the MCO benefit package;
  - Moving to a single PBM (SPBM); and/or
  - Eliminating spread pricing
- *Savings estimates published by these states are not necessarily comparable to Maryland*

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Cross-state Comparison

Selected features

Domain	Ohio	Kentucky	New York	California	West Virginia
Delivery model	SPBM	SPBM	FFS	FFS	FFS
Pass-through pricing required?	Yes	Yes	Yes	Yes	Yes
Spread pricing allowed?	No	No	No	No	No
Professional dispensing fee	Tiered by Rx volume	$10.64	$10.18	Tiered by Rx volume	$10.49
Reported / anticipated savings	**$140M (first 2 years)**	**$282M (2021–22)**	**$410M FY24 $548M FY25**	**$309M annual (anticipated)**	**$54.4M (first year)**

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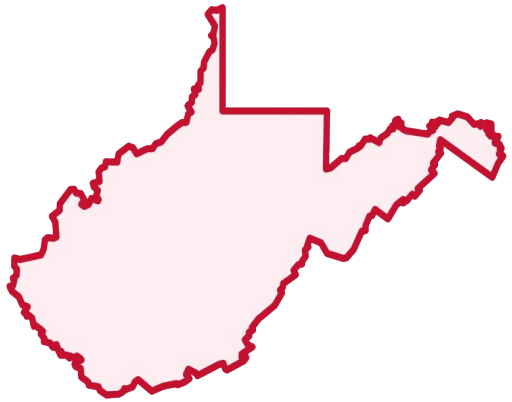
West Virginia

FFS / Carve-out | **Effective July 2017**

DELIVERY MODEL	Pharmacy benefit carved out of Medicaid managed care, returned to fee-for-service administration.
ADMINISTRATION	West Virginia Bureau for Medical Services contracts with Gainwell Technologies to manage its Medicaid pharmacy benefits
INGREDIENT COST BENCHMARK*	NADAC, WAC, FUL, SMAC, U&C



$54.4M

reported savings in the first year (SY2018)

* Except for 340B . To see complete ingredient cost formula, dispensing fee structure, and 340b reimbursement information by state, please visit https://www.medicaid.gov/medicaid-prescription-reimbursement-Quarter-Ending-March-2026.pdf

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California

FFS / Carve-out | **Effective January 2022**

DELIVERY MODEL	Pharmacy benefit carved out of Medicaid managed care and administered through Medi-Cal Rx.
ADMINISTRATION	The California Department of Health Care Services contracted with Magellan Medicaid Administration, LLC to administer Medi-Cal Rx
INGREDIENT COST BENCHMARK*	NADAC, WAC, FUL, SMAC, U&C

$309M

anticipated annual General Fund savings by FY2023–24

- Except for 340B (https://www.dhcs.ca.gov/wp-content/uploads/2025/10/Supplement_2_to_Attachment_4.19-B.pdf)
- To see complete ingredient cost formula, dispensing fee structure, and 340b reimbursement information by state, please visit https://www.medicaid.gov/medicaid-prescription-reimbursement-Quarter-Ending-March-2026.pdf.

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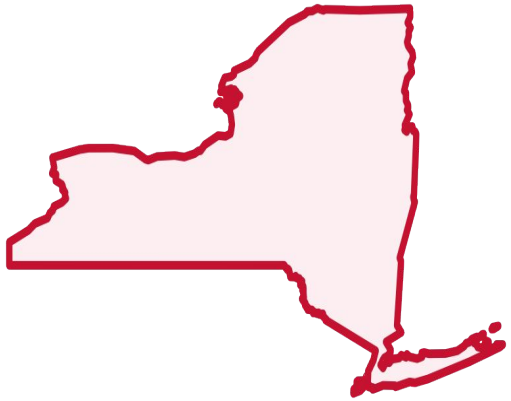
New York

FFS / Carve-out | **Effective April 2023**

DELIVERY MODEL	Pharmacy benefit carved out of Medicaid managed care and administered through NYRx.
ADMINISTRATION	NYRx is administered by the New York State Department of Health
INGREDIENT COST BENCHMARK*	NADAC, WAC, FUL, SMAC, U&C.



$410M / $548M

reported savings in FY2024 / FY2025

- Except for 340B (https://www.emedny.org/ProviderManuals/Pharmacy/PDFS/Pharmacy_Policy_Guidelines.pdf)
- To see complete ingredient cost formula, dispensing fee structure, and 340b reimbursement information by state, please visit https://www.medicaid.gov/medicaid-prescription-reimbursement-Quarter-Ending-March-2026.pdf

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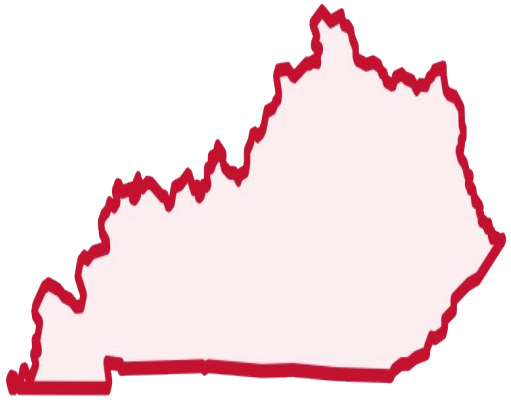
Kentucky

SPBM	Effective July 2021

DELIVERY MODEL	Hybrid model in which MCOs contract with the state's SPBM under a single formulary and preferred drug list.
ADMINISTRATION	MedImpact serves as the state PBM
INGREDIENT COST BENCHMARK*	NADAC, WAC, FUL, SMAC, U&C



$282M

reported net savings for 2021-2022

* Except for 340B . To see complete ingredient cost formula, dispensing fee structure, and 340b reimbursement information by state, please visit https://www.medicaid.gov/medicaid-prescription-reimbursement-Quarter-Ending-March-2026.pdf

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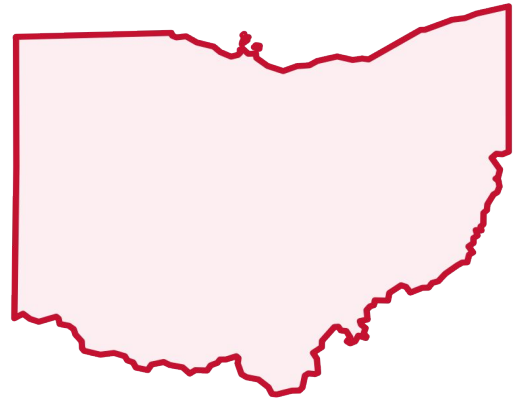
Ohio

SPBM | **Effective October 2022**

DELIVERY MODEL	Single pharmacy benefit manager (SPBM)
ADMINISTRATION	SPBM contract awarded to Gainwell Technologies
INGREDIENT COST BENCHMARK*	NADAC, SMAC, Ohio average acquisition cost (OAAC), WAC, U&C



$140M
reported net savings
in the first two years

* Except for 340B . To see complete ingredient cost formula, dispensing fee structure, and 340b reimbursement information by state, please visit https://www.medicaid.gov/medicaid-prescription-reimbursement-Quarter-Ending-March-2026.pdf

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Discussion of Pharmacy Claims Re-Pricing and PBM Admin Fee Analyses

Presented by Myers and Stauffer, LC

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HB 813 – Charge #(2)(iii) 1.-2.

"(2) review reimbursement for pharmacists, including:

(iii) measures that offset the Department's costs to fund the Medicaid Managed Care Program and adopt NADAC plus the Fee–for–Service Professional Dispensing, including:

1. savings associated with NADAC ingredient cost pricing and managed care organizations; and
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HB 813 – Charge #(2)(iii) 1.-2.

Maryland HealthChoice Pharmacy Claims Repricing at FFS Rates

- Overview of Federal Requirements for FFS Pharmacy Reimbursement
- Overview of Current Maryland FFS Pharmacy Reimbursement Methodology
- Overview of Current Pharmacy Reimbursement within Maryland HealthChoice
- Maryland HealthChoice Pharmacy Claims Repricing
  - Methodology; claim exclusions
  - Findings; total impact; notable variations in modeled impact

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HB 813 – Charge #(2)(iii) 1.-2. *cont.*

Overview of Federal Requirements for FFS Pharmacy Reimbursement

In 2016, the Centers for Medicare & Medicaid Services (CMS) released the final rule for the Covered Outpatient Drug Rule (CMS-2345-FC):

- Fee-For-Service drug reimbursement methodology changed from Estimated Acquisition Cost (EAC) to Actual Acquisition Cost (AAC).
  - AAC = Pharmacy provider's actual cost paid to purchase prescription drugs; AAC benchmarks typically represent an average cost to pharmacies
  - CMS further changed “dispensing fees” to “Professional Dispensing Fees” (PDFs):
    - Reflects Pharmacist’s professional services and the overhead and labor costs associated with dispensing drugs to Medicaid members.
    - PDFs must be consistent with efficiency, economy, and quality of care, while ensuring sufficient
    - participant access.

Total Pharmacy Reimbursement = Ingredient Cost + Professional Dispensing Fee

States should consider both aspects of reimbursement, and each should be supported by relevant data such as from a survey.

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HB 813 – Charge #(2)(iii) 1.-2. *cont.*

Overview of Current Maryland FFS Pharmacy Reimbursement Methodology

Ingredient Reimbursement

Lower of:

- NADAC
- Usual and Customary charges

If no NADAC exists, then the lower of:

- WAC+0%
- FUL (for generic drugs)
- SAAC
- Usual and Customary 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

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HB 813 – Charge #(2)(iii) 1.-2. *cont.*

Overview of Current Reimbursement within Maryland HealthChoice

Reimbursement terms are based on individual PBM/pharmacy network contracts:

- Typical pricing for brand drugs is expressed as a discount from AWP (e.g., AWP minus 20%)
- Typical pricing for generic drugs is based on proprietary Maximum Allowable Cost (MAC) rates or discounts from AWP (e.g., AWP minus 85%)
- Typical pricing for specialty drugs based on a fee schedule (per drug) or discounts from AWP.
- Dispensing fees within the HealthChoice program are generally nominal and frequently less than $1.

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HB 813 – Charge #(2)(iii) 1.-2. *cont.*

Maryland HealthChoice Pharmacy Claims Repricing (Methodology)

- Claims data from CY 2023 and CY 2024
- Exclusions:
  - Claims paid at usual and customary charge
  - Claims with third party liability
  - Compounded claims
  - Clotting factor claims
  - COVID-19 vaccines
  - 340B claims
  - OTC claims included, and repriced according to NADAC and/or alternate state AAC

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HB 813 – Charge #(2)(iii) 1.-2. *cont.*

Maryland HealthChoice Pharmacy Claims Repricing (Findings)

Ingredient Cost

CY 2023		Ingredient Amount		Dispensing Fee		Total Reimbursement		Impact
	Total Number of Claims	Actual Paid per Claims Data	Repriced with FFS Methodology	Actual Paid per Claims Data	Repriced with FFS Methodology	Total - Actual Paid Per Claims Data	Total- Repriced FFS Methodology	Total Impact
Total	11,555,403	$1,272,435,585	$1,252,682,662	$13,518,088	$121,869,308	$1,285,953,673	$1,374,551,970	$88,598,297
Average Per Claim		$110.12	$108.41	$1.17	$10.55	$111.29	$118.95	$7.67

CY 2024		Ingredient Amount		Dispensing Fee		Total Reimbursement		Impact
	Total Number of Claims	Actual Paid per Claims Data	Repriced with FFS Methodology	Actual Paid per Claims Data	Repriced with FFS Methodology	Total - Actual Paid Per Claims Data	Total- Repriced FFS Methodology	Total Impact
Total	10,984,722	$1,236,171,611	$1,215,366,056	$12,182,494	$115,882,206	$1,248,354,105	$1,331,248,261	$82,894,156
Average Per Claim		$112.54	$110.64	$1.11	$10.55	$113.64	$121.19	$7.55

The MCOs paid more on average in ingredient costs per prescription drug claim in CY 2023 and CY 2024 compared to the FFS reimbursement methodology.

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HB 813 – Charge #(2)(iii) 1.-2. *cont.*

Maryland HealthChoice Pharmacy Claims Repricing (Findings)

Dispensing Fees

CY 2023	Ingredient Amount		Dispensing Fee		Total Reimbursement		Impact
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The MCOs paid less on average in Professional Dispensing Fees per prescription drug claim in CY 2023 and CY 2024 compared to the FFS reimbursement methodology.

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HB 813 – Charge #(2)(iii) 1.-2. *cont.*

Maryland HealthChoice Pharmacy Claims Repricing (Findings)

Total Reimbursement

CY 2023		Ingredient Amount		Dispensing Fee		Total Reimbursement		Impact
	Total Number of Claims	Actual Paid per Claims Data	Repriced with FFS Methodology	Actual Paid per Claims Data	Repriced with FFS Methodology	Total - Actual Paid Per Claims Data	Total- Repriced FFS Methodology	Total Impact
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Average Per Claim		$112.54	$110.64	$1.11	$10.55	$113.64	$121.19	$7.55

Based on the difference between the average total reimbursement per MCO prescription drug claim and the average total reimbursement per prescription drug claim if the FFS methodology were used, the MCOs would have paid more on average in total reimbursement per claim in CY 2023 and CY 2024.

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HB 813 – Charge #(2)(iii) 1.-2. *cont.*

HealthChoice Plan Pharmacy Administrative Fees

Reported Pharmacy Expense (HFMR)	Total Pharmacy Administrative Expense	Percentage
$ 1,181,674,131	$ 39,245,953	3%

Approach:

- ❑ Plans were asked to quantify any/all administrative costs to provide pharmacy benefit for Maryland HealthChoice.
- ❑ Myers and Stauffer requested a breakdown between PBM administrative fees and all other health plan costs.
- ❑ Plans were asked to provide a narrative for health plan specific costs to identify which services were provided.
- ❑ Follow up requests were made where additional clarification was needed.
- ❑ Reported costs were compared to submitted administrative expenses for 2024.
- ❑ Our engagement did not include a verification of the reported costs, nor did it involve an analysis to confirm the completeness of cost reporting by the health plans.

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Questions and/or Comments from Workgroup Members

Questions and/or Comments from Public Stakeholders

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Written Comments

Written comments will be accepted though **EOD Tuesday, August 11, 2026**, on the topics covered in today's meeting.

Those can be submitted via email to:

pharmacyservicesworkgroup.mia@maryland.gov

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Contact Information

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800-492-6116 (toll-free)

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800-735-2258 (TTY)

insurance.maryland.gov

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