

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1384
Health

(Delegate Kipke)

Maryland Medical Assistance Program - State Pharmacy Benefits Manager

This bill requires the Maryland Department of Health (MDH), by July 1, 2028, to select and contract with a single third-party administrator (TPA) to serve as the State pharmacy benefits manager (PBM) and administer pharmacy benefits for all Medicaid recipients, including those enrolled in a managed care organization (MCO). MDH must engage an independent consultant with specified experience to advise the department in selecting and contracting with the TPA. The independent consultant may not be engaged by an MCO or by any PBM contracted with an MCO.

Fiscal Summary

State Effect: Medicaid expenditures (50% general funds, 50% federal funds) increase by an indeterminate but significant amount beginning in FY 2027 for contracting costs, new personnel, and other administrative costs, as discussed below. Federal fund revenues increase accordingly.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The contract with a State PBM must (1) establish the State PBM's fiduciary duty owed to MDH; (2) require the use of pass-through pricing; (3) require the State PBM to use the common formulary, reimbursement methodologies, and dispensing fees negotiated with input from stakeholders; (4) require transparency in drug costs, rebates collected and paid, dispensing fees paid, administrative fees, and all other charges, fees,

costs, and holdbacks; and (5) prohibit spread pricing. Each MCO contract entered into or renewed by MDH on or after July 1, 2028, must require the MCO to contract with and use the State PBM.

“Spread pricing” is the model of prescription drug pricing in which the PBM charges Medicaid or an MCO a contracted price for a prescription drug that differs from the amount the PBM directly or indirectly pays the pharmacist or pharmacy for the prescription drug dispensed by the pharmacist or pharmacy.

Current Law: A PBM is a business that administers and manages prescription drug benefit plans. A PBM must register with the Maryland Insurance Administration prior to providing pharmacy benefits management services. A PBM that provides pharmacy benefits management services on behalf of a carrier may not require that a beneficiary use a specific pharmacy or entity to fill a prescription if the PBM (or a corporate affiliate) has an ownership interest in the pharmacy or entity or vice versa. A PBM may require a beneficiary to use a specific pharmacy or entity for a specialty drug. A PBM that provides pharmacy benefits management services on behalf of a carrier may not reimburse a pharmacy or pharmacist for a pharmaceutical product or pharmacist service in an amount less than the PBM reimburses itself or an affiliate for providing the same product or service. This prohibition does not apply to reimbursement for specialty drugs, mail order drugs, or to a chain pharmacy with more than 15 stores or a pharmacist who is an employee of the chain pharmacy.

State Fiscal Effect: MDH advises that implementing a single-state PBM would be a major shift for Medicaid. Currently, each of the nine Medicaid MCOs administers the pharmacy benefit for their enrollees. MDH contracts with a claims processor to administer the fee-for-service pharmacy benefit, including behavioral health and certain high-cost drugs.

MDH notes that selecting and contracting with a single TPA to serve as the State PBM by July 1, 2028, is not feasible as procurement of an independent consultant, followed by a TPA to serve as the PBM, must follow the State’s procurement process. Operationally, integrating the nine MCOs with the new PBM will require a long ramp up period to ensure a smooth transition. In addition, the PBM will need to oversee both somatic drugs (currently managed by MCOs) and behavioral health drugs (managed by MDH).

The procurement process and subsequent integration of the PBM will require additional staff. Thus, MDH anticipates an indeterminate but significant fiscal impact attributable to contracting costs, new staff, and other administrative costs beginning in fiscal 2027.

MDH notes that several state Medicaid programs use a single PBM, including Kentucky, Mississippi, and Ohio. In general, these states found savings attributable to eliminating

spread pricing and use those savings to fund PBM operations. However, MDH advises that spread pricing is already not used in Maryland Medicaid.

Small Business Effect: Small business pharmacies likely benefit from reduced administrative burdens under a single Medicaid PBM.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Department of Health; Maryland Insurance Administration; Department of Legislative Services

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