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June 24, 2022

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Hon. Van Mitchell, Chair
Maryland Prescription Drug Affordability Board
16900 Science Drive, Suite 112-114
Bowie MD, 20715

Dear Chair Mitchell,

In 2020, AFSCME Council 3 supported HB 1150, which altered the procurement process used by the state to purchase prescription drugs for state beneficiaries. The law instituted a “reverse auction” process whereby pharmacy benefit managers (PBMs) would compete to offer the lowest price to win the state’s contract to serve as the pharmacy benefit provider.

New Jersey was the first state to complete a reverse auction, saving the state and local governments over \$500 million a year in prescription drug spending while rolling back premiums and out-of-pocket costs for its workers. The state and its workers continue to save billions while streamlining the traditional arcane and opaque procurement process.

Our prescription drug supply system has been a convoluted tangle of multiple players with highly technical and obscure contract agreements, rebates, favored placement on formularies, and incentives that ultimately come to bear on consumers. Manufacturers, wholesalers, pharmacy benefit managers, retailers, and insurers all play roles in the supply chain. However, some benefit more than others from little transparency and regulation.

PBMs are the middlemen, serving as the administrators of prescription drug coverage for large purchasers. After years of practice, PBMs are experts at charging fees and negotiating rebates that often benefit their bottom line more than their clients. PBMs hide behind this opaque and complex process, making it nearly impossible for their customers to know whether they maximize savings.

Enter the “reverse auctions” process that sets aside the mysterious Request For Proposal (RFP) process. Instead, the reverse auction de-identifies claims data to help create an ideal template for the purchaser – in this case, the state – to ask prospective PBM bidders the simple question, “How much would you charge us to deliver on this product?” PBMs then bid against their competitors, *lowering* their cost proposals until a contractual agreement is reached between the state and the winning PBM.

While a reverse auction is not a silver bullet for drug cost savings, it can be an essential strategic component for the state to achieve genuine cost savings while maintaining the quality of benefits and access to much-needed prescription drugs.

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An employee has the right to a union representative if requested by the employee.
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However, more than two years later, the Hogan Administration has yet to complete its first auction, and it will be yet another year until Maryland sees any savings. The state also failed to include its 23 counties and Baltimore City in this process. An expanded purchasing pool would net tens of millions in additional savings for local governments and their workforce. Failure to act with urgency has benefited the incumbent PBM and has cost the state up to hundreds of millions in unrealized drug cost savings.

As the representative of X number of workers, AFSCME Council 3 requests that the Prescription Drug Affordability Board, the next Governor, and Legislature make a renewed commitment to the reverse auction process. This is the only innovative, bi-partisan program that promises immediate cost savings without risking access to possibly life-saving medicines for thousands of Marylanders. Let's follow New Jersey's example to institute a comprehensive and well-run auction that will help ease worker premiums, drive down out-of-pocket expenses, preserve access, and save Maryland millions in annual drug spending.

Sincerely,

A handwritten signature in black ink, appearing to read 'Patrick Moran', is written over a horizontal line. A vertical line extends upwards from the end of the horizontal line, and a diagonal line extends downwards and to the right from the top of the vertical line.

Patrick Moran, President
AFSCME Council 3

cc: Prescription Drug Affordability Board
PDAB Advisory Committee
Executive Director Andy York
Senator Bill Ferguson
Senator Guy Guzzone
Senator Delores Kelley
Senator Melony Griffith
Senator Brian Feldman
Delegate Ben Barnes
Delegate Joseline Pena Melnyk
Delegate Ariana Kelly
Delegate Bonnie Cullison
Delegate Kirill Reznik