



Talking Points

Hospital Medicine Costs

September 2018

- Maryland has a unique hospital payment system that strictly regulates hospitals' inpatient and outpatient prices. This system ensures that hospitals' drug prices are reasonably related to costs.
- It is specifically because of this system, governed by the independent Health Services Cost Review Commission (HSCRC), that *Maryland was excluded from a recent study on drug markups in hospitals*, prepared by The Moran Company on behalf of The Pharmaceutical Research and Manufacturers of America.
- Unlike manufacturers' drug prices, which in many cases have grown by double digits each year, hospital prices in Maryland have been *growing by less than 2 percent per year*.
- Maryland's hospitals remain committed to perpetuating recent success in controlling costs, improving quality, and helping ensure that Marylanders have affordable access to care — an essential pillar of Maryland's Total Cost of Care Model.

Background

The Pharmaceutical Research and Manufacturers of America (PhRMA), the trade association of major drug manufacturers, is running a publicity campaign that seeks to blame hospitals for the high cost of prescription medications. PhRMA's messaging asserts, based upon a selective reading of the supporting research, which was commissioned by PhRMA and was very narrowly framed, that hospitals mark up the costs of medicines they purchase by as much as 700 percent. A more balanced reading of the same findings shows that the average markup realized by hospitals across the nation is vastly lower. And, as noted, the study excluded Maryland hospitals because of Maryland's unique hospital price regulatory regime.