

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 306
Finance

(Senator Beidle)

**Workers' Compensation - Prescription Drug and Pharmaceutical Services -
Reimbursements**

This bill requires the Workers' Compensation Commission (WCC) to regulate all fees and other charges for the reimbursement of prescription drugs and pharmaceutical services provided through the workers' compensation system. Any such reimbursement must be limited to an index or indexes based on acquisition cost, calculated on a per unit basis, as of the date of dispensing and may include reasonable dispensing fees.

Fiscal Summary

State Effect: WCC can develop and implement a fee and other charges guide for prescription drugs and pharmaceutical services using existing budgeted resources. Beginning in FY 2026, State expenditures (all funds) may decrease, potentially significantly, as discussed below. Minimal increase in special fund revenues for the Maryland Insurance Administration in FY 2026 only from rate and form filing fees; review of the filings can be handled with existing budgeted resources. General fund revenues may decrease minimally, as discussed below.

Chesapeake Employers' Insurance Company (Chesapeake) Effect: Beginning in FY 2026, Chesapeake expenditures may decrease significantly due to less costly workers' compensation prescription drug prices; Chesapeake revenues decrease correspondingly to the extent that Chesapeake reduces its premiums, as discussed below.

Local Effect: Beginning in FY 2026, local expenditures may decrease, in some cases significantly, as discussed below. Revenues are not affected.

Small Business Effect: Potential meaningful.

Analysis

Current Law:

Worker's Compensation – Generally

Generally, each employer in the State must secure workers' compensation for all covered employees of the employer by maintaining insurance with an authorized insurer or, in limited circumstances, through self-insurance. An individual is presumed to be a covered employee while in the service of an employer under an express or implied contract of apprenticeship or hire. To overcome the presumption of covered employment, an employer must establish that the individual performing services is an independent contractor in accordance with the common law or is specifically exempted from covered employment under the Maryland Workers' Compensation Act.

If an employee covered under workers' compensation insurance has suffered an accidental personal injury, compensable hernia, or occupational disease, the employee is entitled to compensation benefits paid by the employer, its insurer, the Subsequent Injury Fund, or the Uninsured Employers' Fund, as appropriate. Workers' compensation benefits include wage replacement, medical treatment, and vocational rehabilitation expenses.

Workers' Compensation – Fee Guides

WCC is authorized to adopt regulations about (1) the provision of medicine and medical, nursing, and hospital services to a covered employee and (2) payment for the medicine and services. WCC may also regulate fees and other charges for medical services or treatment provided through the workers' compensation system. WCC does not have a fee or other charges guide for pharmaceutical services or prescription drugs.

Each fee or other charge for medical service or treatment under Workers' Compensation Law is limited to the amount that prevails in the same community for similar treatment of an injured individual with a standard of living that is comparable to that of the covered employee. At least once every two years, WCC must review its guide of medical and surgical fees, which WCC [has adopted through regulations](#), for completeness and reasonableness and make appropriate revisions to the guide.

State/Local/Small Business Fiscal Effect:

Workers' Compensation Costs for Employers

The impact of the bill on workers' compensation costs for employers in the State (which includes the State, local governments, and small businesses), ultimately depends on the

prescription drug and pharmaceutical services fee and other charges guide adopted by WCC pursuant to the bill's requirements. However, based on information provided by Chesapeake (who administers the State's self-insured workers' compensation program and directly insures various local governments and small businesses) the bill could significantly reduce workers' compensation costs for some employers in the State. A reduction in prescription drug costs is a direct cost savings for self-insured entities and likely to result in reduced premiums for entities that maintain a workers' compensation insurance policy.

This assessment is based on a preliminary analysis prepared by Chesapeake that applies various pricing guides in use by the State's Medicaid system to the actual prescription costs paid by the State and various local governments from fiscal 2023 through 2024. In the analysis, Chesapeake included a cost estimate based on the National Average Drug Acquisition Cost (which is a model that potentially could be adopted by WCC under the bill) with an additional dispensing fee of \$15.00 per prescription.

Chesapeake estimates that, if this model had been in place for fiscal 2023 through 2024, State expenditures for workers' compensation prescription costs would have decreased in total by approximately \$625,000. Using the same pricing guide assumptions, Chesapeake estimates that Prince George's County expenditures would have decreased by several million dollars over that same two-year period. (Prince George's County is self-insured but working with Chesapeake to complete an analysis of the bill's potential impact.) Conversely, based on Chesapeake's analysis, some smaller counties, including Wicomico and Dorchester, would have experienced a minimal impact while many other smaller counties, including Worcester and Talbot, would not have been materially affected. Notably, Chesapeake found that a large portion of the savings is anticipated to come from reduced payments to mail-order pharmacies and physicians that directly dispense prescription drugs from their offices.

Given Chesapeake's analysis, significant cost savings are possible for larger employers (including the State, Prince George's County, and other large counties), whereas the bill may have a less pronounced or negligible impact on smaller employers (including smaller counties and small businesses). Nevertheless, a more precise impact depends on the fee schedule adopted by WCC and cannot be reliably estimated at this time.

Premium Taxes

Title 6 of the Insurance Article imposes a 2% premium tax on each authorized insurance company, surplus lines broker, or unauthorized insurance company that sells, or an individual who independently procures, any type of insurance coverage upon a risk that is located in the State. Revenues accrue to the general fund. Premium tax revenues may decrease minimally depending on the cost savings experienced by workers' compensation insurers in the State as a result of the bill and to the extent that insurance premiums are

lowered to account for the reduction in costs. However, any such impact cannot be reliably estimated at this time.

Small Businesses that Provide Prescription Drugs and Pharmaceutical Services

Based on Chesapeake's analysis, some employers in the State could experience a significant reduction in prescription drug costs related to workers' compensation claims. Conversely, some of the pharmacies and doctors who prescribe these drugs may be small businesses and could experience a corresponding significant reduction in revenues for their businesses.

Chesapeake Fiscal Effect: As a workers' compensation insurer, Chesapeake pays the costs incurred by its insureds and recoups its costs through premiums charged to those insureds for the workers' compensation insurance policies. To the extent that the bill results in a reduction in prescription drug prices for workers' compensation insurance policies, Chesapeake expenditures decrease accordingly. Chesapeake revenues decrease correspondingly as these cost savings are passed on to Chesapeake's insureds.

Additional Information

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

Designated Cross File: None.

Information Source(s): Chesapeake Employers' Insurance Company; Subsequent Injury Fund; Uninsured Employers' Fund; Workers' Compensation Commission; Maryland Insurance Administration; Baltimore and Prince George's counties; Department of Legislative Services

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