

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 306
Finance

(Senator Beidle)

Economic Matters

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

This bill requires the Workers' Compensation Commission (WCC) to regulate fees and other charges for the reimbursement of prescription drugs and pharmaceutical services provided through the workers' compensation system by a person who holds a pharmacy permit from the State Board of Pharmacy beginning no later than September 1, 2026. The bill also requires the Maryland Prescription Drug Affordability Board (PDAB) to conduct a study on prescription drug affordability challenges related to workers' compensation claims. By March 1, 2026, PDAB must report its findings and recommendations to specified committees of the General Assembly. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Special fund expenditures for PDAB increase by \$20,000 in FY 2026 only to complete the required study. WCC can develop and implement a fee and other charges guide for prescription drugs and pharmaceutical services with existing budgeted resources. Beginning in FY 2027, State expenditures (all funds) may decrease, potentially significantly, as discussed below. Minimal increase in special fund revenues for the Maryland Insurance Administration in FY 2027 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 2027, 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 2027, local expenditures may decrease, in some cases significantly, as discussed below. Revenues are not affected.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The fee and other charges reimbursement guide adopted by WCC 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 and any other percentage increase or decrease determined by WCC. This requirement does not prohibit an insurance carrier or employer from contracting with a pharmacy benefits manager, a network of pharmacies, or dispensing providers (1) for reimbursement rates different than those established by WCC or (2) to use a pricing index or indexes different than those selected by WCC.

PDAB must conduct a study on prescription drug affordability challenges related to workers' compensation claims that includes:

- an overview of prescription drug prescribing and other billing practices and trends that are specialized to the workers' compensation market;
- research into specific prescribing, billing, and dispensing practices, including specified issues; and
- making recommendations, if applicable, for policies to address identified affordability challenges.

PDAB may require, subject to applicable federal and State laws, entities that pay, prescribe, bill, and dispense prescription drugs under workers' compensation claims to report information to the board as necessary to complete the study.

Current Law:

Workers' 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.

Prescription Drug Affordability Board

Established by Chapter 692 of 2019, PDAB is required to study the entire pharmaceutical distribution and payment system in Maryland and the policy options being used in other states and countries to lower the list price of pharmaceuticals. This includes setting upper payment limits, using reverse auction marketplaces, and implementing a bulk purchasing process.

State Board of Pharmacy

The State Board of Pharmacy regulates the practice of pharmacy by licensing pharmacists, registering pharmacy technicians, issuing permits to individuals to establish or operate pharmacies in the State, setting pharmacy practice standards, and developing and enforcing laws and regulations to protect the public. However, the board does not issue permits for physicians who directly dispense prescription drugs.

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.

Specifically, Chesapeake prepared a preliminary analysis 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. According to 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). Notably, the analysis found that a large portion of the savings would come from reduced payments to mail-order pharmacies (which are covered by the bill's fee schedule) and physicians that directly dispense prescription drugs from their office (who are not covered by the bill's fee schedule). Nevertheless, a more precise impact depends on the fee schedule adopted by WCC and cannot be reliably estimated at this time.

For purposes of this analysis, it is assumed that the guide is fully implemented and begins to apply in fiscal 2027, after PDAB completes the study required by the bill.

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.

Other Small Business Effects

Some pharmacies that provide prescription drugs and pharmaceutical services may be small businesses and could experience a significant reduction in revenues.

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; Prescription Drug Affordability Board; Maryland Municipal League; Baltimore and Prince George's counties; Department of Legislative Services

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