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Testimony in Support of Senate Bill 306 – Workers’ Compensation – Prescription Drug and Pharmaceutical Services – Reimbursements (Favorable with Amendments)

Maryland House Economic Matters Committee

Date: March 24th, 2025

Dear Chairperson and Members of the Committee,

I am writing to express my support for **Senate Bill 306** with the understanding that certain critical amendments must be adopted. After reviewing the bill, our organization, which was initially strongly opposed due to concerns about its impact on prescription drug access for Maryland's injured workers and healthcare providers, has shifted its position to one of support—**with amendments**. These amendments are vital to ensuring that the bill is implemented in a way that balances cost containment with the need for accessible, affordable care for injured workers.

Support for the Establishment of a Fee Schedule

We **fully support the establishment of a fee schedule** for prescription drugs and pharmaceutical services under the workers' compensation system. A standardized fee schedule will provide greater transparency and consistency, helping both injured workers and healthcare providers navigate the reimbursement process. It will also offer clear guidelines that can help contain costs without sacrificing the quality of care that workers rely on during their recovery.

However, while we support the idea of a fee schedule, we **strongly oppose** the notion of using **acquisition cost** as the sole basis for reimbursement rates. Maryland should not be the **first state in the nation** to base its reimbursement structure solely on acquisition costs, a model that is untested and speculative. Such a move would introduce significant risks to the system and could have unintended negative consequences, especially for injured workers in critical professions such as **police, fire, and first responders**.

Concerns with Acquisition Cost-Based Reimbursement

The proposal to base reimbursement rates on acquisition costs—without considering other industry-standard benchmarks—poses a number of significant risks:

1. **Negative Impact on Prescription Drug Access:**
Limiting reimbursement to acquisition costs would make it extremely difficult for



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pharmacies to remain financially viable, especially for smaller, independent pharmacies. This would lead to **reduced access to necessary medications** for injured workers, as pharmacies may be forced to stop accepting workers' compensation claims due to financial infeasibility. This is particularly concerning for workers in critical fields, such as first responders, who rely on timely access to medication for their recovery.

2. **Unintended Consequences for Workers:**

Basing reimbursement solely on acquisition cost could discourage pharmacies and healthcare providers from participating in the workers' compensation system. This could lead to **increased delays** in care, poorer health outcomes, and a backlog of patients who are unable to receive the medications they need in a timely manner. Injured workers, particularly those facing long-term recovery, could be forced to seek alternative treatments that may not be as effective or appropriate for their conditions.

3. **Economic Unsustainability for Providers:**

Many pharmacies, especially in rural or underserved areas, are already facing financial difficulties. Reimbursing at acquisition cost would further erode the ability of these pharmacies to sustain their operations and continue to provide critical services to injured workers. This would not only hurt pharmacies but also place a burden on the workers who rely on them for recovery.

Proposed Amendments for a Balanced Approach

To ensure that SB306 creates a sustainable, fair, and effective system for both injured workers and healthcare providers, we support the following **critical amendments**:

1. **Use of Proven Industry Standards for Reimbursement:**

Rather than relying on acquisition cost, we urge the Committee to adopt **industry-standard pricing benchmarks** such as the **Average Wholesale Price (AWP)**, **Wholesale Acquisition Cost (WAC)**, and **Usual and Customary Pricing**. These models are well-established, widely accepted across the nation, and have been shown to be both practical and effective in ensuring fair reimbursements. Adopting these standards would allow Maryland to move forward with a proven approach without the risks associated with using acquisition cost as the sole reimbursement measure.

2. **Inclusion of Reasonable Dispensing Fees:**

We support the inclusion of **reasonable dispensing fees** in the bill. However, we recommend that the **Workers' Compensation Commission** have the flexibility to review and adjust these fees periodically to account for market fluctuations and ensure that pharmacies can continue to provide necessary services to injured workers.

3. **Comprehensive Study of Prescription Drug Affordability:**

We support the study to be conducted by the **Maryland Prescription Drug Affordability Board** on prescription drug affordability in the workers' compensation system. However, we recommend that the study include a detailed analysis of **billing practices**, **pharmacy benefit managers (PBMs)**, and **compounding medications**—all of which significantly impact drug prices and reimbursement rates. This study should help identify fair, long-term solutions for controlling costs without compromising access to care.

Conclusion

We strongly support **Senate Bill 306**, as it offers a positive framework for regulating prescription drug reimbursements in Maryland's workers' compensation system. However, we believe that the current approach to base reimbursement on acquisition costs would have unintended negative consequences, especially for Maryland's injured workers. By adopting proven **industry-standard benchmarks** such as **AWP** for reimbursement, we can create a sustainable system that ensures access to necessary medications without risking the economic viability of pharmacies and healthcare providers.

We urge the **Economic Matters Committee** to support **SB306 with amendments** to ensure that the bill is balanced and fair, protecting both the interests of injured workers and the pharmacies that serve them. Thank you for your attention to this critical issue, and we look forward to working together to create a better system for Maryland's workers.

Sincerely,



Destry T Setser, CEO

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