



**Testimony of Chesapeake Employers' Insurance Company
and Injured Workers' Insurance Fund in Support of Senate Bill 306
being heard in the House Economic Matters Committee**

Senate Bill 306, being heard in the House Economic Matters Committee, proposes to amend Labor and Employment, § 9-663, mandating the Workers' Compensation Commission to regulate fees and other charges for the reimbursement of prescription drugs and pharmaceutical services. This will be achieved by directing the Commission to utilize cost indexes based on acquisition costs, with a percentage increase or decrease, and establishing dispensing fees within a pharmaceutical fee guide. Additionally, the Bill directs the Maryland Prescription Drug Affordability Board to conduct a study on drug affordability in workers' compensation by March 1, 2026, before the pharmaceutical fee guide that is due no later than September 1, 2026.

For the following reasons, Chesapeake Employers' Insurance Company and the Injured Workers' Insurance Fund support the bill.

At present, the Commission has a medical fee guide for medical services but does not have a fee guide for pharmaceutical services, dental services, or durable medical equipment. Without a fee guide for pharmaceutical services, certain pharmacies have exploited the system, resulting in excessive pricing disparities and rampant overcharging of insurers, counties, municipalities, and the State. The pricing disparities result from certain pharmacies utilizing "Average Wholesale Price (AWP)", usually with a percentage increase, which represents an artificial price set by manufacturers that does not reflect actual purchasing transactions.

For example, using data from all pharmaceutical paid fills in 2023 and 2024, Chesapeake Employers' Insurance Company and the Injured Workers' Insurance Fund paid \$4,153,225.37 for 37,362 prescriptions. Had AWP been utilized, the cost would have been \$10,416,555.49.

Chesapeake Employers' Insurance Company and the Injured Workers' Insurance Fund have committed not to pass these pharmaceutical costs onto our policyholders, counties, municipalities, and the State. By aligning our payments more in line with acquisition costs, as proposed by Senate Bill 306, the cost for the same prescriptions would have been \$3,032,031.51, excluding administrative and dispensing fees.

Unfortunately, many community stakeholders lack the resources or legislative mandate that Chesapeake Employers' Insurance has. Consequently, billed prices are often paid.

Pharmacies exploiting the lack of a prescription fee guide often provide prescriptions for Labor and Employment, § 9-503 presumption claims, such as hypertension and heart disease for police officers and firefighters. These pharmaceuticals are commonly seen outside of workers' compensation claims, but the prices charged to insurers, counties, municipalities, and the State are significantly higher than acquisition or reasonable pricing, as illustrated in the chart below.

Medication	Use	Q	D S	Pharmacy Submitted Amount	AWP	NADAC ¹	WAC	MCCPD	Cash (low to high)	Medi- Cal	Paid Amount
Lisinopril 10 MG Tablet	High blood pressure/ACE inhibitor	90	90	\$111.60	\$89.10	\$1.71	\$6.30	\$11.76	\$6-31	\$8.96	\$17.79
Atorvastatin 20 MG Tablet	High Cholesterol (Lipitor)	90	90	\$623.70	\$519.63	\$2.49	\$8.13	\$11.69	\$10-38	\$19.68	\$12.88
Sildenafil 100 MG Tablet	Erectile Dysfunction	12	30	\$957.12	\$797.57	\$1.73	\$3.20	\$10.97	\$7-28	N/A	\$99.51
Tadalafil 20 MG Tablet	Erectile Dysfunction	6	30	\$524.46	\$432.86	\$1.52	\$4.00	\$11.20	\$10-73	N/A	\$247.75
Valsartan 160 MG Tablet	High blood pressure/heart disease	90	90	\$563.40	\$469.13	\$13.89	\$35.66	\$17.21	\$26-108	\$52.86	\$109.62
Amlodipine Besylate 10 MG Tab	High blood pressure/heart disease (Norvasc)	90	90	\$271.80	\$213.89	\$1.49	\$3.96	\$11.80	\$12-34	\$10.48	\$154.95

Of note, although Chesapeake Employers' Insurance Company and the Injured Workers' Insurance Fund paid the "paid amount" in this chart, for the same prescription, Prince George's County, Baltimore County, Charles County, and Washington County would pay the "pharmacy

¹ **AWP:** Average Wholesale Price. When it was created in the late 1960s, it was meant to describe the average price at which wholesalers sell drugs to pharmacies. However, it is now outdated and inaccurate. It is often manipulated by manufacturers or wholesalers, and no longer an accurate reflection of actual pricing paid.

NADAC: National Average Drug Acquisition Cost (considered acquisition pricing). This is without a dispensing fee that Senate Bill 306 allows.

WAC: Wholesaler Acquisition Cost (considered acquisition pricing). This is without a dispensing fee that Senate Bill 306 allows.

MCCPD: Mark Cuban's CostPlus Drugs. This price is inclusive of manufacturing cost, plus 15%, plus processing and shipping, and is publicly available.

CASH: The price in which a person could walk in and pay for their drugs in Maryland with no prescription card or plan.

MEDI-CAL: Pricing in California using their workers' compensation prescription rates (erectile dysfunction medications are not included in Medi-Cal rates). Pricing includes a \$7.25 dispensing fee.

submitted amount”, Montgomery County and Anne Arundel County would pay the “AWP amount”, and Baltimore City will pay what they believe is a value assigned for services involving similar work and resources. SB 306 will ensure that all stakeholders have clear visibility into the charges and payments for the same drug, akin to the transparency provided by the current medical fee guide, and therefore all of our counties and insureds will pay the same amount.

While many states have established pharmaceutical fee guides for workers’ compensation, numerous guides were created over two decades ago and were created with outdated information. As the nation progresses towards better healthcare pricing, workers’ compensation must ensure that stakeholders are accurately charged for pharmaceuticals. Notably, California and Massachusetts have adopted acquisition pricing for workers’ compensation, and Medicaid in all states, including Maryland, has also transitioned to acquisition pricing.

Maryland’s businesses, counties, municipalities, and the State cannot financially sustain the current pricing structures within the workers’ compensation system. Workers’ compensation was designed to provide no-fault insurance to injured workers, facilitating the efficient delivery of medical and disability payments. However, this no-fault insurance was also intended to guarantee cost containment for Maryland’s businesses, counties, municipalities, and the State. Legislation should aim to uphold this principle, and Senate Bill 306 reinforces the grand bargain at the core of Maryland’s workers’ compensation system.

For these reasons, Chesapeake Employers’ Insurance Company and the Injured Workers’ Insurance Fund support Senate Bill 306 as being heard in the House Economic Matters Committee.

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