	Brand FS	Generic FS
Alabama	AWP +5% +$10.75	AWP +5% +$13.97
Alaska	AWP +$5.00	AWP +$10.00
Arizona	AWP -15% +$7.00	AWP -25% +$7.00
Arkansas	AWP +$5.13	AWP +$5.13
California	Medi-cal AWP -17% +$7.25	Medi-cal AWP -17% +$7.25
Colorado	AWP +$4.00	AWP +$4.00
Connecticut	AWP +$5.00	AWP +$8.00
Delaware	AWP -31.9% +$3.29 DF	AWP -38% +$4.10 DF
Florida	AWP +$4.18	AWP +$4.18
Georgia	AWP +$4.74	AWP +$7.11
Hawaii	AWP +40%	AWP +40%
Idaho	AWP +$5.00	AWP +$8.00
Kansas	AWP -10% +$3.00	AWP -15% +$5.00
Kentucky	AWP -10% +$5.00	AWP of the lowest priced therapeutically equivalent in stock -15% +5.00
Louisiana	AWP +10% +$10.99	AWP +40% +$10.99
Massachusetts	Lesser of language- Medicaid	Lesser of language- Medicaid
Michigan	AWP -10% +$3.50	AWP-10% +$5.50
Minnesota	AWP -12% +$3.65	AWP -12% +$3.65
Mississippi	AWP +$5.00	AWP-5% +$5.00
Montana	AWP -10% +$3.00	AWP-25% +$3.00
Nevada	AWP +$12.96	AWP +$12.96
New Mexico	AWP -10% +$5.00	AWP -10% +$5.00
New York	AWP -12% +$4.00	AWP -20% +$5.00
North Carolina	AWP -5%	AWP -5%
North Dakota	$4.00 DF MONOPOLISTIC	$5.00 DF MONOPOLISTIC
Ohio	AWP -15% +$3.50	AWP -15% +$3.50
Oklahoma	AWP -10% +$5.00	AWP -10% +$5.00
Oregon	AWP -16.5% +$2.00	AWP -16.5% +$2.00
Pennsylvania	AWP +10%	AWP +10%
Rhode Island	AWP -10%	AWP -10%
South Carolina	AWP + $5.00	AWP +$5.00
Tennessee	AWP + $5.10	AWP + $5.10
Texas	AWP + 9% +$4.00	AWP +25% +$4.00
Vermont	AWP + $3.15	AWP + $3.15
Washington	AWP -10% +$4.50	AWP -50% +$4.50
Wisconsin	AWP +$3.00	AWP +$3.00
Wyoming	AWP -10% +$5.00	AWP -10% +$5.00

***Data pulled from Optum Pharmacy Resource Guide for 2024 ***

Primer for Understanding SB 306
and Workers' Compensation Pharmacy Fee Schedules

What Does This Bill Do?
SB 306 proposes to limit pharmacy reimbursement in Maryland's workers' compensation system to ONLY Acquisition Cost (AC)—the price a pharmacy pays to purchase a drug.

Why is This Problematic?
While the intent may be to control costs, **Acquisition Cost alone does not cover the full cost of dispensing medications**, which includes:

- **Pharmacist expertise** – Reviewing prescriptions, checking for drug interactions, and ensuring proper dosage.
- **Administrative work** – Processing claims, handling prior authorizations, and managing insurer disputes.
- **Overhead costs** – Staff wages, rent, storage, and compliance costs.

How Do Other States Handle This?

- 35 of 37 states with a workers' compensation fee schedule use Average Wholesale Price (AWP) or a similar pricing model that factors in both acquisition and operational costs.
- Other states that considered Acquisition Cost-based reimbursement rejected it because it led to pharmacy closures, longer wait times, and reduced access to medications for injured workers.

Real-World Example
Imagine if a restaurant could only charge customers for the raw cost of ingredients but not for rent, staff, or electricity. They wouldn't be able to stay in business. Pharmacies operate similarly—filling prescriptions involves more than just the cost of the drug.

Key Concerns

1. Why should Maryland be one of the only states to limit reimbursement to Acquisition Cost when nearly every other state uses a different model?
2. How will Maryland ensure pharmacies continue to serve injured workers if they are forced to operate at a loss?
3. Why is the legislature preventing the Workers' Compensation Commission from considering all pricing models to determine the best approach?
4. Does this bill primarily benefit insurers by reducing reimbursements while increasing burdens on pharmacies and injured workers?

Bottom Line
If Maryland passes SB 306 in its current form, pharmacies may stop participating in the workers' compensation system, leading to fewer options and delays for injured workers. Legislators should consider allowing the Workers' Compensation Commission to review all pricing models instead of locking Maryland into a flawed system that other states have already rejected.

Why Acquisition Cost is Problematic for Workers' Compensation Pharmacy Reimbursement

1. **Acquisition Cost Does Not Cover the Full Cost of Dispensing Medications**
   - ***Pharmacies do more than just purchase medications*.** They handle prescription verification, patient counseling, prior authorizations, and claim adjudication—all of which require time and resources.
   - ***Real-world example:*** If a grocery store was forced to sell milk at only the price they paid the dairy supplier—without factoring in transportation, refrigeration, and labor costs—it would quickly go out of business. The same principle applies to pharmacies.

2. **Acquisition Cost is Highly Variable & Unpredictable**
   - Drug prices fluctuate due to supply chain issues, bulk purchasing discounts, and pharmacy size.
   - ***Real-world example:*** If a construction company could only charge customers the price they paid for raw materials, but couldn't factor in labor or operational costs, they'd struggle to sustain their business.
   - ***Fact:*** Smaller and independent pharmacies pay higher acquisition costs than large chains that negotiate bulk discounts, meaning they will be disproportionately harmed.

3. **Acquisition Cost-Based Reimbursement Leads to Pharmacy Closures & Reduced Access**
   - Other states have rejected Acquisition Cost as a stand-alone metric because it fails to ensure that pharmacies can afford to participate in workers' compensation claims.
   - ***Real-world example:*** If Uber drivers were only reimbursed for gas expenses and not for maintenance, insurance, and their time, many would stop driving—leading to longer wait times and reduced access to rides.
   - Likewise, if pharmacies lose money on workers' compensation prescriptions, many will stop participating, forcing injured workers to travel farther and wait longer for essential medications.

4. **Other States Have Found That Acquisition Cost Alone is Inadequate**
   - ***35 out of 37 states use AWP*** (Average Wholesale Price) as the foundation for workers' compensation pharmacy reimbursement because it offers **stability, predictability, and fair compensation.**
   - ***Real-world example:*** In Kentucky, independent pharmacists testified that NADAC (a similar acquisition cost-based model) would drive them out of workers' compensation because it did not account for operational expenses.

5. **Insurers Benefit at the Expense of Pharmacies and Injured Workers**
   - ***An Acquisition Cost-only model would allow insurers to dictate reimbursement levels*** while pharmacies bear all the financial risk.
   - ***Real-world example:*** If airlines could only charge passengers the cost of fuel, they wouldn't be able to afford pilots, maintenance, or safety measures. Similarly, pharmacies need reimbursement that covers the full cost of dispensing medications—not just the price of the drug itself.

Summary of Workers' Compensation Pharmacy Fee Schedules

Understanding how different fee schedules work is critical in ensuring fair reimbursement for pharmacies while maintaining cost controls in Maryland's workers' compensation system. Below is a brief summary of the key fee schedule models:

Maryland's Current Workers Compensation Fee Schedule:

Usual and Customary (U&C) Pricing – Stability Issues

- **What it is:** U&C pricing is the price a pharmacy typically charges for a prescription drug outside of negotiated rates.
- **How it works:** Pharmacies submit their standard retail price as the reimbursement rate, which may fluctuate over time.
- **Pros:** Reflects real-world pricing but is inconsistent across pharmacies and regions.
- **Cons:** Unpredictable and is not as widely accepted as a standalone pricing model in workers' compensation.

Mandated by Senate Bill 306:

National Average Drug Acquisition Cost (NADAC) – Unreliable and Rejected by Most States

- **What it is:** NADAC is based on voluntary surveys of pharmacy drug acquisition costs, collected by the Centers for Medicare & Medicaid Services (CMS).
- **Why it's problematic: NADAC has been rejected by multiple states** because it does not account for all medications, excludes physician-dispensed drugs, and relies on voluntary reporting, making it unreliable.
- **How it works:** NADAC prices are updated weekly based on self-reported data, creating inconsistencies in reimbursement rates.
- **Pros:** In theory, it reflects real market-based drug costs.
- **Cons: Does not cover all drugs, lacks transparency, and has led to pharmacy access issues where attempted.**

Wholesale Acquisition Cost (WAC) – Not a Viable Standalone Model

- **What it is:** WAC represents the manufacturer's list price for a drug **before** any rebates, discounts, or price reductions.
- **Why it's problematic:** WAC does not reflect what pharmacies actually pay for drugs and can be manipulated by manufacturers.

- **How it works:** Used primarily as a reference price in contracts between manufacturers and wholesalers.
- **Pros:** Provides a uniform starting point.
- **Cons: Does not account for pharmacy operational costs, making it unsuitable for workers' compensation reimbursement.**

Prohibited by Senate Bill 306:

Average Wholesale Price (AWP) – The Industry Standard

- **What it is:** AWP is a nationally recognized benchmark for drug pricing, reflecting the list price set by drug manufacturers before any discounts or rebates.
- **Why it's used: AWP is used by 35 of 37 states** with workers' compensation fee schedules because it provides a predictable, standardized, and transparent method for determining reimbursement.
- **How it works:** AWP allows states to set fair and balanced rates by applying a slight discount (e.g., AWP - 10%) plus a dispensing fee to ensure pharmacies are compensated for their services.
- **Pros:** Ensures pharmacies are fairly reimbursed, predictable for insurers, and easy to administer.
- **Cons:** Critics argue that AWP may not always reflect the actual acquisition cost, but it remains the best available model for stability and access.

Key Takeaways:

- **AWP is the industry standard and used by nearly all states** because it balances fair reimbursement with cost controls.
- **NADAC, WAC, and U&C have been rejected or deemed inadequate** in many states because they do not provide predictable, fair pharmacy reimbursements.
- **Maryland should align with national best practices** and allow the Workers' Compensation Commission to consider AWP-based models, rather than being forced into an acquisition-cost-only model that would drive pharmacies out of workers' compensation.

Proposed Amendment to SB 306

On page 2, strike lines 14-17 in their entirety and insert the following:

(I) REIMBURSEMENT FOR PRESCRIPTION DRUGS AND PHARMACEUTICAL SERVICES UNDER THIS SECTION SHALL BE BASED ON A FEE SCHEDULE DETERMINED BY THE WORKERS' COMPENSATION COMMISSION. THE COMMISSION SHALL HAVE THE AUTHORITY TO CONSIDER ALL RECOGNIZED PRICING BENCHMARKS, INCLUDING BUT NOT LIMITED TO:

1. **AVERAGE WHOLESALE PRICE (AWP),**
2. **NATIONAL AVERAGE DRUG ACQUISITION COST (NADAC),**
3. **WHOLESALE ACQUISITION COST (WAC),**
4. **USUAL AND CUSTOMARY PRICING.**

THE COMMISSION SHALL DETERMINE THE MOST APPROPRIATE FEE SCHEDULE BASED ON A STATE-BY-STATE COMPARISON OF EXISTING PHARMACY REIMBURSEMENT MODELS, THE IMPACT ON PATIENT ACCESS, AND COST CONTAINMENT STRATEGIES.

On Page 2, strike lines 21-27.

On Page 3, strike lines 6-28.

Why Maryland Should Consider All Fee Schedules in Worker's Compensation

1. **Flexibility to Determine the Best Model:** Maryland should have the ability to review and adopt the best pricing model instead of being locked into one approach.
2. **Majority of States Use AWP:** 35 of 37 states with a workers' compensation fee schedule use AWP, demonstrating its effectiveness in balancing cost control and patient access
3. **NADAC and Acquisition Cost Have Been Rejected in Other States:** States like Kentucky and Arizona rejected NADAC because it does not cover all medications and relies on voluntary surveys rather than fixed pricing benchmarks.
4. **Protecting Patient Access to Medication**: If Maryland limits reimbursement to Acquisition Cost, small and independent pharmacies may stop filling workers' comp prescriptions, reducing access for injured workers.
5. **Regulatory Best Practices:** Many states have structured their workers' compensation reimbursement models with built-in adjustments (e.g., AWP - 10% + $4.00 dispensing fee) to maintain fairness for both pharmacies and insurers.