



Testimony of Chesapeake Employers' Insurance Company and Injured Workers' Insurance Fund in Support of Senate Bill 306

Senate Bill 306 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 and establishing dispensing fees within a pharmaceutical fee guide.

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. For example, in Prince George's County, for 22,108 prescriptions paid in 2023 and 2024, the county was billed \$11,925,378.54 and paid \$10,294,373.66. The AWP for these prescriptions is \$10,928,800.34. However, using acquisition cost-based price indexes, as proposed by Senate Bill 306, the cost would have been approximately \$2,561,068.95, excluding administrative and dispensing fees.

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	DS	Pharmacy Submitted Amount	AWP	NADAC ¹	WAC	MCCPD	Cash (low to high)	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	\$17.79
Atorvastatin 20 MG Tablet	High Cholesterol (Lipitor)	90	90	\$623.70	\$519.63	\$2.49	\$8.13	\$11.69	\$10-38	\$12.88
Sildenafil 100 MG Tablet	Erectile Dysfunction	12	30	\$957.12	\$797.57	\$1.73	\$3.20	\$10.97	\$7-28	\$99.51
Tadalafil 20 MG Tablet	Erectile Dysfunction	6	30	\$524.46	\$432.86	\$1.52	\$4.00	\$11.20	\$10-73	\$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	\$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	\$154.95

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 nearly 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

¹ **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.

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.

*Contact: Carmine G. D'Alessandro, Esq.
Chief Legal Officer
Chesapeake Employers Insurance Company/IWIF
(410)-494-2305
cdalessandro@ceiwc.com*

*Lyndsey Beidle Meninger, Esq.
Vice President of Legal Services
Chesapeake Employers Insurance Company/IWIF
(410)-494-2057
lmeninger@ceiwc.com*