



February 25, 2025

Testimony for Maryland SB 306

Dear Chairwoman Beidle, Vice Chair Hayes, and members of the Senate Finance Committee,

Please consider our thoughtful response to the proposed workers' compensation pharmacy fee schedule delineated in SB 306 in advance of the hearing scheduled for February 25, 2025. First, thank you for your continued dedication to listening and addressing stakeholder concerns regarding the bill.

IWP is a national home delivery pharmacy specializing in workers' compensation servicing Maryland's injured workers for close to twenty years. Like other industry partners, we remain committed to enhancing our partnership to deliver quality care to injured workers throughout the state.

While IWP supports the intent of SB 306 to adopt a pharmacy fee schedule and create certainty in the billing and reimbursement process, we remain concerned about the specific language "acquisition cost" designated as the pricing mechanism.

SB 306 states "reimbursement under subparagraph (i) of this paragraph shall 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."

If SB 306 limits reimbursement to only acquisition cost, the bill would negatively impact injured workers' access to quality prescription care and limit their choice of pharmacy. The administrative hurdles embedded in the workers' compensation system far exceed those in the broader healthcare delivery system. As a result, independent pharmacies would be forced to assess whether the significantly lower reimbursements based on acquisition cost would allow them to continue serving injured workers.

States that implemented pharmacy fee schedules recognize the complexity of workers' compensation administration and opted to use the average wholesale price (AWP) instead of federal healthcare pricing methodologies such as actual acquisition cost (AAC), federal upper limit (FUL), wholesale acquisition cost (WAC), or national average drug acquisition cost (NADAC).

SB 306 directs the Workers' Compensation Commission to set the fee schedule at acquisition cost plus a reasonable dispensing fee, which is synonymous with NADAC. NADAC is rare in workers' compensation and was previously rejected by at least two states that considered moving away from AWP in recent years. For example, Kentucky considered a NADAC based pharmacy fee schedule and David Figg, a community pharmacy and pharmacy owner, pointed out during a stakeholder meeting with the Department that in the rural area he serves he is one of the few that provide pharmacy care to injured workers. He further stated that if the proposed rate were adopted, he would be forced to make a difficult decision. His reimbursement would be lower than the costs of products plus the administrative burden.

In Arizona, the Industrial Commission authorized a study to solicit information on new fee schedule models for consideration. NADAC was one of the initial proposals by the Commission and it was resoundingly rejected by providers and pharmacy benefit managers (PBMs), specifically Enlyte (formerly Mitchell). The pharmacy fee schedule in Arizona continues to be based on AWP mainly because NADAC pricing relies on voluntary information from provider surveys, while AWP is a published price from a nationally recognized third-party.

In part, the intent of the bill is also to relieve some of the administrative work put on the Workers’ Compensation Commission charged with resolving fee reviews between providers and payors. This bill will not solve that problem. NADAC pricing at the National Drug Code (NDC) level is not always available for all medications and it relies on voluntary surveys rather than published pricing that the Commission can refer to and settle. Furthermore, as a pharmacy with longstanding exposure in all state workers’ compensation systems, recent reports show that states with fee schedules do enjoy lower pharmacy costs even when set at AWP and some percentage added to AWP with a reasonable dispensing fee.

We have **a couple of recommendations for a fair solution for patients, providers, and insurers:**

First, IWP supports a Maryland pharmacy fee schedule to provide transparency in reimbursement. For example, IWP currently will send a bill to the largest payor in Maryland and receive approximately 50% of what is billed, with little to no explanation, outside of referencing the “reasonable rate” language within the statute. This transactional relationship creates a gap between invoiced vs. expected payment.

Second, Maryland should mirror most states and propose a pharmacy fee schedule based on AWP. AWP is an industry standard that is common nomenclature and easy to implement for PBMs and providers. AWP is a reference point, published by recognized national sources where payors benchmark the rates for reimbursement. According to the [Optum Pharmacy Resource Guide for 2024](#), 35 out of the 37 states with a fee schedule use AWP. The exceptions are North Dakota, a monopolistic state, and Massachusetts, which embeds their workers' compensation pharmacy reimbursement within the Medicaid statute —approaches Maryland should avoid.

State	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
		AWP of the lowest priced therapeutically equivalent in stock -15% +5.00
Kentucky	AWP -10% +\$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 was pulled from [Optum Pharmacy Resource Guide for 2024](#) ***

The current bill proposal would cripple the access and quality of care for injured workers and if passed, it would squarely put Maryland as one of the lowest reimbursement rates in the country.

Without pharmacies like IWP, too many injured workers would be left behind as coverage information may not be available at first fill with a retail pharmacy, and the validity of the claim may be in question for several refills. The result of the current proposal is that many injured workers will not receive adequate prescription coverage, which translates to a decline in return-to-work outcomes and, quite possibly ever-increasing medical interventions, driving up the total cost. The state fee schedule should function as a safeguard for injured workers, granting pharmacies the ability to diminish the uncertainty in obtaining quality prescription care.

We strongly urge the Committee to recommend that the Maryland Workers' Compensation Commission utilize its existing Medical Fee Guide Committee to review and compare other states' fee schedules, assess the impact of various pricing methodologies on pharmacy



reimbursement, patient access, and cost containment, and ensure Maryland's reimbursement model is sustainable, fair, and competitive with other state practices.

We thank the committee for its continued dedication to listening to and addressing stakeholder concerns regarding the proposed SB 306 Pharmaceutical Reimbursement in Workers' Compensation bill."

If you have questions or comments, please feel free to reach out to me directly at (978) 809-2148 or jkresac@iwpharmacy.com.

Thank you for your consideration.

Sincerely, Jayne Kresac, Esq.
VP of Legal, Government Affairs, and Communications, Injured Workers Pharmacy