House Bill 1342

Workers' Compensation – Reimbursement for Repackaged and Relabeled Drugs – Fee Schedule and Requirements

MACo Position: **OPPOSE**

To: Health and Government Operations and Economic Matters Committees

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From: Leslie Knapp, Jr.

The Maryland Association of Counties (MACo**) OPPOSES** House Bill 1342. The bill would legitimize a questionable trend of increased costs for physician-dispensed medications, potentially increase the amount of physician-dispensed medications for workers' compensation claims, and impose significant new costs on county governments.

HB 1342 would require the Workers' Compensation Commission to adopt a pharmaceutical fee schedule for repackaged and relabeled prescription drugs, which are typically dispensed directly by physicians. The schedule would set a price of 130% of the average wholesale price (AWP) for brand-name and generic-equivalent repackaged or relabeled prescription drugs. It would also set a price of 150% of the AWP for repackaged or relabeled brand-name drugs without generic equivalents that are dispensed in lieu of drugs that are controlled dangerous substances. A $12 dispensing fee would also apply.

Costs for physician-dispensed medication have been increasing and now represent a majority of workers' compensation claim pharmaceutical costs. According to a 2013 study by the Workers' Compensation Research Institute (WCRI), the cost of physician-dispensed medication in Maryland has increased dramatically from 2008 to 2012 while the cost for pharmacy-dispensed medication has remained stable or decreased slightly.[1]

The bill's fiscal note provides an example where the average price per pill paid to physicians for Vicodin increased 47% to $1.46 per pill, while the price paid per pill to pharmacies for the same drug fell 5% to $0.37 per pill. The WCRI study also found that in Maryland for the 2011-12 time period, physician-dispensed medications represented 55% of total pharmaceutical spending for workers' compensation claims.

[1] The findings apply to Maryland insurers except for Chesapeake Employers' Insurance Company, which generally pays out about 80% of AWP for both physician and pharmacy-dispensed medications.

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The bill's proposed lucrative fee schedule would likely encourage additional physicians to engage in the practice of directly dispensing medications. As the bill's fiscal note indicates, this would likely negate any potential savings and lead to an increase in costs for self-insured counties.

The cost increases would be especially dramatic for the Chesapeake Employers' Insurance Company and the counties that it insures. Using the fiscal note's reasonable assumptions, Chesapeake's costs would increase by $1.7 million a year due to a 69% increase in the price it must pay for physician-dispensed repackaged or relabeled drugs.

HB 1342 would have the effect of expanding the practice of physician-dispensed prescriptions by legitimizing requested reimbursement rates that are higher than their pharmacy-dispensed counterparts. County governments and their insurers would be left facing significant new costs of questionable necessity. Accordingly, MACo recommends the Committee give HB 1342 an **UNFAVORABLE** report.