



MARYLAND GENERAL ASSEMBLY
WORKERS' COMPENSATION BENEFIT AND INSURANCE OVERSIGHT COMMITTEE

February 3, 2015

Dear Members, Joint Committee on Workers' Compensation Insurance and Benefit Oversight:

On January 22, 2015, Senator Feldman, Delegate Pendergrass, Delegate Valderrama, and a group of stakeholders met with us to discuss the outcome of a study that the Workers' Compensation Commission conducted regarding physician dispensing of prescription drugs to workers' compensation claimants.

Mr. Karl Aumann, Chairman of the Workers' Compensation Commission, advised that the Commission had recently solicited data from insurance carriers to gauge the prevalence of physician dispensing in the State. Chairman Aumann indicated that, contrary to previous trends reported by the Workers' Compensation Research Institute, in 2014, Maryland claimants received a smaller proportion of prescription drugs dispensed directly from their physicians, as compared with prescriptions dispensed from pharmacies. Specifically, in 2011, physicians dispensed 18.3% of prescriptions while pharmacies dispensed 80.3% of prescriptions (all other dispensers dispensed 1.4%); in 2013, physicians dispensed 15.7% and pharmacies dispensed 82.7% (all other dispensers dispensed 1.6%). Mr. Aumann advised that the proportion of medical costs that was spent on prescription drugs also declined over that time. In 2011, 13.5% of medical costs stemmed from prescription drug charges while 86.5% stemmed from other medical payments; in 2013, the percentages were 13.0% and 87.0%, respectively.

Additionally, Chesapeake Employers' Insurance Company (Chesapeake), the largest workers' compensation insurer in the State, verified that its claims experience showed that the increase in physician dispensing that occurred around 2009 and 2010 did not continue in subsequent years. According to Chesapeake, in 2011, physicians dispensed 21,370 prescriptions, while in 2013, physicians dispensed 16,313 prescriptions. Chesapeake indicated that its claim volume remained relatively stable during that time.

In light of this information, the stakeholders reached an agreement not to seek legislation for two years (2015 and 2016 sessions) relating to physician dispensing as a scope of practice issue, reimbursement rates for physician-dispensed prescription drugs, or claimant choice of pharmacy. The following stakeholders participated in the discussion and requested that we memorialize the agreement by sending a letter to the Oversight Committee and legislative leaders:


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Chesapeake, Property Casualty Insurers Association of America, ACE Insurance and American International Group, MedChi, and Maryland Defense Counsel. American Insurance Association participated in the discussion but did not take a position on the agreement. Maryland Self Insurers' and Employers' Compensation Association did not participate in the meeting in which the stakeholders reached the agreement, but subsequently approved of the agreement and requested inclusion in this letter.

If you have any questions or concerns that you wish to discuss, please do not hesitate to contact either Tami D. Burt or Laura H. Atas at 410-946-5350.

Best regards,


Senator Katherine A. Klausmeier
Co-chair


Delegate Sally Y. Jameson
Co-chair (2014)

KAK:SYJ/TDB/LHA/tas

ccs: Senator Thomas V. Mike Miller, Jr.
Delegate Michael E. Busch
Senator Thomas M. Middleton
Senator Brian J. Feldman
Delegate Peter A. Hammen
Delegate Dereck E. Davis
Delegate Shane E. Pendergrass
Delegate Kriselda Valderrama
Delegate Cheryl D. Glenn
Mr. Karl Aumann, Chairman, Workers' Compensation Commission
Mr. Robert Enten, Representative, Property Casualty Insurers Association of America (PCI)
Mr. Dennis Carroll, Executive Vice President & General Counsel, Chesapeake Employers' Insurance Company
Mr. Carmine D'Alessandro, Assistant Vice President of Legal Services and Special Investigations, Chesapeake Employers' Insurance Company
Mr. Jack Andryszak, Representative, ACE Insurance and American International Group (AIG Insurance)
Mr. Minor Carter, Representative, American Insurance Association (AIA)
Mr. Jay Schwartz, Representative, MedChi
Ms. Danna Kaufmann, Representative, MedChi
Ms. Ilene Ticer, Representative, Maryland Defense Counsel
Mr. Robert Erlandson, Representative, Maryland Self Insurers' and Employers' Compensation Association