

House Bill 356 – State Prescription Drug Benefits – Retirees
House Appropriations Committee - March 12, 2025
Testimony of James C. Roberts, Ph.D.

Favorable with Amendments

I testify today to **support passage of House Bill 356 with amendments** to restore prescription benefits for Medicare-eligible State retirees who were hired before July 1, 2011.

Summary of Proposed Amendments:

- ALL Medicare-eligible State employees who were hired before July 1, 2011 should be eligible to receive the HRA benefit, regardless of their retirement date.
- The HRA should be reviewed and increased each year to reflect changes in drug costs.
- The Life Sustaining Prescription Drug Assistance Program should be made less burdensome.
- A study should be conducted on the process of the transition to Medicare Part D plans to determine how retiree needs can be better met and the contract with Via Benefits should be reviewed by the Legislative Auditors.

Details of these proposed amendments follow at the end of my testimony.

I have been tracking Maryland State retirees' concerns about the transition from the State Prescription plan to individual Medicare Part D prescription plans. Here is a short summary of a few of their comments taken from Facebook posts and emails.

- A 90 day supply last year cost me \$50. This year the 90 day supply cost me \$711.
- I hit the \$580 deductible in January when I paid \$600 for Trelegy. It was \$50 in December.
- I paid \$10 for a cream from my dermatologist. Now the price is \$380.
- My husband retired on 12/31/2019 and is on Medicare. I retired on 7/31/2021 and am not Medicare eligible yet. Because I have our health insurance taken out of my check and I retired after January 1, 2020, he is not eligible for the HRA card.
- I am paying over a \$1,000 a year in premiums that do not count toward the Federal \$2,000 cap. Because of the high cost of my high tier drugs, I will meet the \$2,000 Federal out of pocket cap in April for Medicare covered drugs. My husband is on a low premium, \$590 deductible plan that covered all of his medications. Just two of his prescriptions now cost over \$1,600 a month out-of-pocket. He meets the \$2,000 Federal cap this month. We had the \$2,000 HRA but it's gone.
- I just paid \$473 for Jardiance. Last week I paid \$375 copay for Trelegy. These two drugs are life-sustaining for me, a post-lung-transplant patient, and without them, there's a good chance rejection will take me down in a few days. But I'm not eligible for the Maryland Life-Sustaining Drug Program, and these drugs are not tier-friendly.
- I used to pay \$50 for a 3-month supply of Jardiance. Today and it costs \$741. My pharmacy tells me that I cannot use the coupon that I got from the Jardiance website and that no one on Medicare is eligible for these coupons. I called Via Benefits to find out what my Trulicity and Repatha were going to cost me and I was told that they couldn't give me a price because both medications need "prior approval" which means that once my doctor sends in the paperwork, a "third party panel" will determine if I need this medication and whether or not it will be covered.

THANK YOU TO THE STATE OF MARYLAND FOR NOT TAKING CARE OF YOUR DEDICATED RETIREES.

There have been numerous complaints that no Part D plan covers all of a retiree's prescriptions and that the prescriptions not covered have very expensive retail costs that the retiree must bear. This is particularly troubling at the beginning of the year when retirees on limited fixed incomes must cover high deductibles. There are also concerns that many retirees do not have access to the State Health Reimbursement Arrangement (HRA) to help with these costs due to the arbitrary cutoff date for eligibility.

The State claimed that Medicare Part D is equivalent to the State Retiree Prescription Plan and that Part D might even save money for the retirees. Unfortunately, these claims do not take into account all the issues that affect retirees as they move to Medicare Part D.

- The list of drugs (formulary) for the State Retiree Prescription Plan was much more extensive than the formulary for any of the Medicare Part D plans available in Maryland.
 - The retiree must pay the entire cost of drugs not covered by the retiree's formulary.
 - The costs of uncovered drugs are not included in the cap on out-of-pocket expenses.
- Retirees paid a co-pay of \$20, \$50, or \$80 for a 90 day supply of drugs covered by the State Retiree Prescription Plan. Many Medicare Part D plans charge a co-insurance for drugs that is a percentage of the total cost of the drug. Retirees pay very high prices for expensive drugs on Medicare Part D.

The difference in formularies is a critical part of the extra expense that retirees pay on Part D. Figure 1 compares Medicare Part D plans available in Maryland. These comparisons were made using the Medicare.gov comparison tool and the Via Benefits plan shopping website.

The following comparisons of Medicare Part D plans were made using the Medicare.gov comparison tool and the Via Benefits shopping site on October 4, 2024. The comparisons are based on the actual information of a 71 year old man with Type II Diabetes and Psoriatic Arthritis. The costs are based on the drugs actually prescribed for the test subject. The last row shows the 2024 costs for the test subject with the State-sponsored retiree prescription plan that terminated on December 31, 2024. Drug costs are higher than the \$2,000 Medicare cap on "out-of-pocket" expenses because drugs that are not covered by a Part D plan are not included in the cap. The test-subject is not eligible for the State's \$750 Health Reimbursement Arrangement (HRA) due to his retirement date (7/1/2022) even though he gave 33 years of service to the State.																	
Medicare Part D Plans	Monthly Premium	Deductible	Annual Drug Costs + Premium	Carvedilol	Eliquis	Farxiga	Fenofibric Acid	Folic Acid	Valsartan HCTZ	Metformin	Methotrexate	Mounjaro	Novolog	Rosuvastatin	Spironolactone	Tresiba	# Drugs Covered
Cigna Healthcare Extra Rx	\$99.30	\$175	\$6,663	•	•	•	•	•	•	•	•	•	•	•	•	•	12
Humana Premier Rx Plan	\$119.80	\$0	\$7,872		•	•			•	•	•	•	•	•	•	•	10
Cigna Healthcare Saver Rx	\$16.60	\$590	\$9,188		•	•	•	•	•	•	•	•		•	•	•	11
Cigna Healthcare Assurance Rx	\$54.00	\$590	\$10,141		•	•	•		•	•	•	•		•	•	•	10
AARP Medicare Rx Preferred from UHC	\$89.20	\$0	\$13,783		•	•	•	•	•	•	•	•	•	•	•	•	11
Wellcare Value Script	\$0.00	\$590	\$14,652	•	•	•	•		•	•	•	•		•	•		10
Wellcare Medicare Rx Value Plus	\$102.40	\$590	\$15,054	•	•	•	•		•	•	•	•		•	•		10
Humana Value Rx Plan	\$24.70	\$573	\$16,043		•	•			•	•	•	•	•	•	•		9
Humana Basic Rx Plan	\$67.80	\$590	\$16,777		•	•			•	•	•	•	•	•	•		9
SilverScript Choice	\$47.40	\$590	\$18,659		•	•	•		•	•	•	•		•	•		9
Welcare Classic *	\$11.30	\$590	\$19,705		•	•			•	•	•	•		•	•		8
AARP Medicare Rx Saver *	\$60.50	\$590	\$20,052		•	•			•	•	•	•		•	•		8
2024 MD SilverScript Employer Plan	\$53.28	\$0	\$2,709	•	-	•	•		•	•	•	•	•	•	•	•	11

Figure 1. Comparison of the 2025 Medicare Part D Plans Available in Montgomery County Maryland

Figure 1 illustrates that even the Medicare Part D plan with the lowest annual expense costs this retiree \$3,954 more than the State Retiree Prescription Plan that was terminated. The reasons for this difference are the formularies and the cost of the drugs not covered by the Part D plans.

It is misleading to claim that “out-of-pocket” expenses will be capped by Medicare because these costs only account for a portion of the total expenses that must be paid by the retiree. Only the costs associated with purchasing drugs covered by the retiree’s Part D plan are included in the \$2,000 cap on “out-of-pocket” expenses. Premiums, deductibles, and the costs of uncovered drugs must be fully borne by the retiree and are not credited toward the Medicare cap.

Another major contributor to higher cost is the difference between a co-pay and co-insurance. A co-pay is a set amount that is paid by the retiree for each prescription. Co-pays vary by the “tier” of the drug that is set by the insurance company. Drugs in higher tiers will have higher co-pays. Co-insurance is a percentage of the retail cost of a drug that is paid by the retiree. Like co-pays, the level of co-insurance will vary by the tier of the drug. Some Part D policies use co-pays and some use co-insurance. Figure 2 provides an example of how the difference between co-pay and co-insurance affected the retiree’s costs in 2024.

Plan	Covered?	Co-pay or Co-insurance	Annual Cost	Included in Cap?
AARP Medicare Preferred from UHC	No	n/a	\$2,336	No
Wellcare Value Script	Yes	50% Co-insurance	\$1,168	Yes
State SilverScript Employer Plan	Yes	\$20 Co-pay	\$80	Yes

Figure 2. Comparison of Carvedilol (Coreg) Costs Across Plans (2024)

If the retiree chose the Wellcare Value Script Plan with the lowest monthly premium, he would have paid \$1,168 per year for Carvedilol because the Wellcare Value Script plan used a 50% coinsurance rather than a co-pay. On the State retiree prescription plan (SilverScript Employer), he only paid \$20 for a 90 day supply of Carvedilol for an annual cost of approximately \$80. Carvedilol was a tier one drug on the State prescription plan.

The Health Reimbursement Arrangement (HRA) is a benefit offered to State retirees who retired on or before January 1, 2020. It provides \$750 to a single retiree or \$2,000 to a retiree and spouse with an additional \$2,000 for each Medicare eligible dependent. These funds are provided through a debit card that can be used to pay for prescription related expenses. The HRA was authorized in SB 946 (2019).

Approximately 7,000 State retirees who acquired new prescription plans in the transition to Medicare Part D were not eligible for the HRA. This disparity created many concerns and much confusion in the retirees. The date was arbitrarily set in the 2019 legislation. **The arbitrary cutoff date for the HRA leaves thousands of retirees without any recourse to pay for the increased costs due to the differences in formularies, the higher premiums, and the higher drug costs they incur with their new Medicare Part D plans, even though many of them worked longer for the State of Maryland than some who retired prior to January 1, 2020 and are eligible for the HRA benefit.**

The eligibility date for the HRA should be removed. ALL State employees who were hired before July 1, 2011 should be eligible to receive the HRA benefit, regardless of their retirement date. This is, by definition, a dwindling population. Providing the HRA for these retirees is equitable and will not have a significant long-term effect on the budget.

SB 946 (2019) authorized the creation of a Life Sustaining Prescription Drug Assistance program (LSPDP) that provides funds to help with the costs of life-sustaining drugs that are not covered by the retiree's formulary. The 2019 legislation contained no parameters or details for program. **The details of the LSPDP were not released by DBM until mid-December 2024, shortly before retirees lost their State prescription benefits. This means that they did not have a chance to understand this complicated program or to recommend changes before it was implemented.**

The LSPDP is a reimbursement program, so the retirees must be able to pay for these expensive drugs up-front without knowing if they will be reimbursed. The process for obtaining reimbursement is onerous and time-consuming, especially for an aged population.

- The drug must be in one of the only six categories defined as life-sustaining drugs by DBM.¹
- The drug must be covered by the State's in-force prescription drug benefit in the group health insurance plan.
- The formulary exception for the drug must have been denied **twice** by the retiree's Medicare Part D plan.
- To obtain a formulary exception, The participant must have had their provider request a formulary exception and have received a denial through the first two levels of the Medicare drug plan appeals process, which are:
 - (1) an internal appeal for redetermination by your Part D carrier (first appeal), and if unsuccessful,
 - (2) reconsideration (second appeal) by an independent review entity.²

Recommendations

I ask that you support HB 356 and give it a **favorable report with the following amendments:**

- (1) Remove all references to the January 1, 2020 retirement eligibility deadline such that ALL State of Maryland Medicare-eligible employees hired before July 1, 2011 are eligible for the Health Reimbursement Arrangement (HRA) and the Life-Sustaining Prescription Drug Assistance Program (LSPDP) upon their retirement

¹ The list of life-sustaining drugs is available at <https://dbm.maryland.gov/benefits/Documents/CY25%20Medicare%20Protected%20Classes%20Drug%20List.pdf>

² DBM Letter to Retirees dated December 2024.

- (2) The Department of Budget and Management shall establish a 14-day maximum turnaround from the date of receipt for requests for reimbursement from the Life-Sustaining Prescription Drug Assistance Program.
- (3) To expedite LSPDP requests,
 - a. a single, standardized reimbursement request form shall be made available online and by mail;
 - b. a direct deposit option shall be provided for expedited reimbursements; and
 - c. DBM shall establish a pre-approval option for retirees to verify medication eligibility prior to purchase, reducing the need for post-purchase re-submission.
- (4) To provide automatic coverage for certain medications, the LSPDP shall,
 - a. eliminate the requirement for multiple denials from Medicare Part D plans before reimbursement eligibility; and
 - b. provide automatic reimbursement for any FDA-approved life-sustaining drug that:
 - i. falls within one of the six protected classes;
 - ii. was previously covered under the State's in-force prescription drug benefit plan prior to January 1, 2025; and
 - iii. is not covered by the retiree's current Medicare Part D plan.
- (5) If a life-sustaining medication is removed from coverage, the State shall provide an emergency override ensuring the retiree can continue to access the medication while an appeal is pending. The burden of proof shall be on the State to justify any denial of coverage, rather than on the retiree to establish medical necessity.
- (6) The amount of the HRA must be reviewed to allow for annual increase that is equivalent to the average annual increase of the cost of prescription drugs in the State.
- (7) A study should be conducted on the process of the transition to Medicare Part D plans to determine how retiree needs can be better met and the contract with Via Benefits should be reviewed by the Legislative Auditors.

Respectfully Submitted by



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Retired on 7/1/2022 after 33 years of service to the State of Maryland.