SB 187

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 187 (Senator Young, et al.)
Finance

State Employees - Pharmaceutical Benefits Through Mail

This bill prohibits the Department of Budget and Fiscal Planning (DBFP) from including mail-order pharmaceutical benefits as part of the State employee health benefit plan unless each mail-order pharmacy provider agrees that enrollees will receive the mailed product within 48 hours after receipt of the enrollee's order. It also provides that a presently existing contract may not be impaired by this bill.

Fiscal Summary

State Effect: None. Although the bill’s effect may be to preclude mail-order pharmaceuticals as a future option for the State employee health benefit plan, State expenditures would not be directly affected. Revenues would not be affected.

Local Effect: None.

Fiscal Analysis

Background: The State employee health benefit plan was to include a pharmacy mail-order option for the first time as part of the Medco contract to begin January 1996. The State terminated the Medco contract, however, and is continuing under the current pharmacy benefits provider (Prescription Card Services, or PCS) for three months to allow time to rebid the contract. The PCS contract does not provide for a mail order option.

State Expenditures: The Department of Budget and Fiscal Planning assumes that given the bill’s requirements, mail-order of pharmaceuticals becomes foreclosed as an option. As a result, State expenditures could increase (due to foregoing the possibility of mail-order savings) by an estimated $184,600 in fiscal 1997, assuming there is a new contract. The bill stipulates that a presently existing contract may not be impaired by this bill. The estimate reflects the following assumptions: (1) a 9% annual inflation increase over the State's actual 1995 pharmacy benefit expenditures; (2) mail order claims comprise 10% of all pharmaceutical claims; (3) mail-order claims represent a costs savings of 5% over non-mail order claims; and (4) a start-up delay of 180 days.

The Department of Fiscal Services questions the assumption that mail-order claims would represent a savings to the State over non-mail order claims. In addition, even if savings were realized for mail-order claims, those savings may not necessarily be passed on to the State. Accordingly, State expenditures are not expected to be directly affected.

Information Source(s): Department of Budget and Fiscal Planning, Department of Fiscal Services

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Analysis by: Sue Friedlander
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710