Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 1129 (Delegate Rawlings)
Environmental Matters

Health Occupations - Pharmacies - Prescription Drug Plans

This bill requires a pharmacy to offer the State's prescription drug benefit plan the same reimbursement level that the pharmacy offers to other plans in Maryland.

Fiscal Summary

State Effect: Expenditures could decrease by up to $11.25 million in FY 1997. FY 1998 savings increase with annualization; future year savings are assumed to remain constant. General fund revenues could decrease by an indeterminate amount.

($ in millions)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	----	----	----	----	----
GF Expend.*	($11.25)	($15.00)	($15.00)	($15.00)	($15.00)
Net Effect*	($11.25)	($15.00)	($15.00)	($15.00)	($15.00)

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds
* assumes a mix of 60% general funds, 20% special funds, 20% federal funds

Local Effect: None.

Fiscal Analysis

Background: A new State employee health benefit prescription contract, effective January 1, 1996, was awarded to Medco Containment Services, Inc. The Medco contract provided an estimated savings of $60 million over the four-year contract life, or approximately $15 million per year. Due to lack of pharmacy participation in the new contract, it was canceled and the current contract with PCS Health Systems, Inc. has been extended for 90 days while the prescription contract is rebid by the Department of Budget and Fiscal Planning. The pharmacies were participating, through Medco, in contracts with private companies using an identical rate schedule as proposed in the State contract.

State Revenues: General fund revenues could decrease by an indeterminate amount as a result of the State's 2% insurance premium tax that would apply to any decreased health insurance premiums resulting from the bill's requirements. The State's premium tax is only applicable to "for-profit" insurance carriers.

State Expenditures: The bill's requirements could result in an expenditure decrease for the State employee prescription drug plan of up to an estimated $11.25 million in fiscal 1997, which reflects the bill's October 1, 1996 effective date and assumes (1) a mix of 60% general funds, 20% special funds, and 20% federal funds; and (2) savings of up to $15 million a year that would have been realized under the Medco contract. The fiscal 1997 budget reflects savings of this magnitude.

The fiscal 1997 budgeted costs for the employee prescription plan were based on the Medco contract. Therefore, adequate funding for the State's prescription contract is not provided in the fiscal 1997 budget. It is unclear what the cost of a new, rebid contract would be, but it is likely that the savings budgeted for Medco will not be achieved.

Information Source(s): Department of Budget and Fiscal Planning, Department of Health and Mental Hygiene (Board of Pharmacy), Insurance Administration, Department of Fiscal Services

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