HB 368

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE
Revised

House Bill 368 (Delegate Frank, *et al.*)
Economic Matters — Referred to Finance

Health Insurance - Maintenance Drug Prescriptions - Supply Quantity

This enrolled bill requires health insurers, nonprofit health service plans, and HMOs (carriers) that provide coverage for drugs to allow an insured or enrollee to receive up to a 90-day supply of maintenance drugs in a single prescription, if authorized by an authorized prescriber. If a carrier increases the co-payment for a single dispensing of a prescription in excess of a 30-day supply, the carrier must also proportionately increase the dispensing fee to the pharmacist for the prescription. This bill applies to contracts issued to small employers, but does not apply to enrollees who are residents of a nursing home.

The bill sunsets September 30, 1998.

Fiscal Summary

State Effect: If the State chooses to include the bill's mandated benefit as part of the State employee health benefit plan, expenditures could increase by, at most, $733,000 in FY 1998 and $256,000 in FY 1999. The estimates reflect the October 1, 1997 effective date and the September 30, 1998 sunset date. General fund revenues could increase by an indeterminate amount.

(in thousands)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	---	---	---	---	---
GF/FF/SF Expend.*	$733	$256	$0	$0	$0
Net Effect	($733)	($256)	$0	$0	$0

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

Local Effect: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount. Revenues would not be affected.
Small Business Effect: Potential meaningful effect on small businesses as discussed below.

Fiscal Analysis

State Effect: Approximately 2.2 million prescriptions are dispensed through the State Employee Prescription Benefits Program annually. Most dispensed prescriptions do not exceed a 34-day supply. Exceptions include legend oral contraceptives, which may be dispensed in up to a six-month supply, and approximately 32 maintenance drugs, which may be dispensed in up to a 100-day supply. The cost-sharing arrangement for enrollees in the prescription plan (co-payment arrangement) is $5 for a formulary drug dispensed or $10 for a non-formulary drug dispensed.

The State Employee Prescription Benefit Program is self-insured. Although the State plan is not required to cover mandated benefits, in the past the State employee health benefit plan has often included coverage for mandated benefits. Therefore, if the State chooses to include the bill's mandated benefit, expenditures could increase by an estimated $733,000 (assumes a mix of 60% general funds, 20% special funds, and 20% federal funds) in fiscal 1998. The increase in State costs assumes a reduction in cost-sharing payments from enrollees in the prescription plan. Whereas enrollees currently pay either $15 for a formulary drug or $30 for a non-formulary drug for a 102-day supply of certain prescriptions (dispensed in three 34-day prescriptions), under the bill they may only pay $5 or $10, respectively, for a 90-day supply. This estimate assumes: (1) approximately 10% of the dispensed prescriptions would receive authorization from a physician to be dispensed in a 90-day supply; (2) the State would save $2.50 in dispensing fees and 28 cents in claim's cost for each prescription not dispensed; (3) all the dispensed prescriptions would be for formulary drugs; (4) the total number of dispensed prescriptions through the State prescription program would remain constant; and (5) an October 1, 1997 effective date. Currently, the State Employee Prescription Benefit Plan spends approximately $70 million a year. This bill would increase annualized prescription expenditures by approximately 1.4%. If the State increases the co-payment requirement for prescriptions exceeding a 34-day supply, it would offset a portion of the additional expenditures for the State. State expenditures could increase by, at most, $256,000 in fiscal 1999, which accounts for the September 30, 1998 sunset date of the bill.

Health carriers that provide prescription coverage through their health plan could experience increased medical care costs. In addition, there are some health insurers that only provide prescription insurance coverage. Based on the estimated impact to the State employee health benefit plan, the increased cost to carriers could be significant. These carriers would raise premiums on their health plans, meaning that general fund revenues could increase by an indeterminate amount in fiscal 1998 as a result of the State's 2% insurance premium tax. The State's premium tax is only applicable to "for-profit" insurance carriers.

In addition, general fund revenues could increase by an indeterminate amount since insurance

companies that do not already provide the coverage mandated by the bill's requirements will be subject to rate and form filing fees. Each insurer (except HMOs) that revises its rates and amends its insurance policy must submit the proposed change(s) to the Insurance Administration and pay a $100 rate and/or form filing fee. The number of insurers who will file new rates and forms as a result of the bill's requirements cannot be reliably estimated at this time, since rate and form filings often combine several rate and policy amendments at one time.

Local Expenditures: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount, depending upon the current type of health care coverage offered and the number of enrollees.

Small Business Effect: Most small business health carriers are nonprofit dental and vision plans. It is assumed that these plans do not offer prescription coverage.

Most independently owned pharmacies are small businesses. As a result of a reduction in dispensed prescriptions, these small business pharmacies could experience a reduction in revenues from prescription dispensing fees. The cumulative impact on revenues to these small businesses could be significant. However, if carriers increase the co-payment requirement for prescriptions exceeding a 30-day supply and, consequently, the dispensing fee to pharmacists, the loss in revenues to small business pharmacies would be mitigated.

The Comprehensive Standard Health Benefit Plan (CSHBP) currently requires coverage for generic prescription drugs. An individual covered under this prescription plan has a $150 deductible. After the deductible has been met, the co-payment is the lesser of $15 or the cost of the prescription. Currently, the CSHBP imposes no limits on the dispensed prescription supply. In 1995, 40% of small businesses were covered under the CSHBP.

As a result of this bill, health insurance costs may increase for small businesses that purchase the CSHBP and for other small businesses that offer health insurance but do not participate with the CSHBP. The extent of the increase, however, cannot be reliably estimated at this time. Alternatively, small businesses could pass an increase in health insurance premium costs onto their employees.

Information Source(s): Insurance Administration, Department of Health and Mental Hygiene (Medical Care Policy Administration), Department of Budget and Management, Department of Fiscal Services

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