

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 1330 (Delegate Eckardt. *et al.*)

Environmental Matters

Maryland Senior Prescription Drug Payment Assistance Program

This bill establishes a Maryland Senior Prescription Drug Payment Assistance Program for low-income senior citizens who are ineligible for prescription drug benefits or coverage through federal, State, or private sources.

The bill requires the Governor to appropriate sufficient funds in the fiscal 2001 and fiscal 2002 State budgets from the Cigarette Restitution Fund to fund the program. DHMH must terminate this program if a prescription drug benefit is added to the Medicare program or if Medicare HMOs resume doing business in rural areas of the State.

This bill sunsets on June 30, 2002.

Fiscal Summary

State Effect: Special fund expenditures will increase by an estimated \$70.4 million in FY 2001. FY 2002 expenditures are expected to remain constant. Special fund revenues will increase by an estimated \$16.74 million in FY 2001, and are expected to remain constant in FY 2002. Future year estimates reflect the bill's June 30, 2003, sunset date.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
SF Revenues	\$16.74	\$16.74	\$0.00	\$0.00	\$0.00
SF Expenditures	70.40	70.40	0.00	0.00	0.00
Net Effect	(\$53.66)	(\$53.66)	\$0.00	\$0.00	\$0.00

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: An eligible individual must: (1) be a U.S. citizen or legal alien; (2) have income that is less than 200% of the federal poverty level (FPL) or have prescription drug expenses that exceed 40% of the individual's annual income; (3) be a Maryland resident; (4) be ineligible for the Maryland Pharmacy Assistance Program (MPAP); (6) be ineligible for a prescription drug benefit through a third party payor prescription benefit; and (7) be age 65 or over or otherwise eligible for Social Security benefits.

The program will cover maintenance drugs and anti-infectives as specified in regulations adopted by the Department of Health and Mental Hygiene (DHMH) after consultation with the Maryland Pharmacists' Association. Reimbursement may be up to the amount paid for the same items or services under MPAP. Total reimbursement may not exceed \$1,500 per year per enrollee. An enrollee is subject to a copayment of not less than \$5 and not more than \$15 for each covered item or service.

Current Law: DHMH maintains MPAP, a prescription benefit for low-income individuals who make less than \$9,400 per year and have assets that are not more than 1.5 times the amount of assets allowed by Medicaid. MPAP provides coverage for maintenance drugs, anti-infectives, and AZT. Enrollees must pay a \$5 copayment for each prescription. The current MPAP income limit is approximately 117% of the FPL.

Background: The AARP Public Policy Institute issued a report on state pharmacy assistance programs in April 1999. The report identified pharmacy assistance programs in 14 states. Most of the programs were targeted toward persons age 65 and over, with some states extending eligibility to disabled persons. Maryland and Wyoming were the only states without age or disability eligibility requirements. Coverage varied from state to state, and all states required some cost-sharing. Maryland's financial eligibility criteria were among the most stringent of the 14 states. Maryland's 1997 income and asset limits reported in the study were \$9,250 in income and \$3,750 in assets for a single individual and \$10,050 in income and \$4,500 in assets for a household of two or more persons. Most states fund their programs through general fund revenues, though a small number of states use other mechanisms, such as casino revenue in New Jersey.

There are currently 35,000 enrollees in Maryland's pharmacy assistance program.

The Cigarette Restitution Act of 1999 outlined nine legislative spending priorities for the Cigarette Restitution Fund addressing health- and tobacco-related issues. While the statute mandates that at least 50% of the spending should be focused on the nine priority areas, the Governor has considerable latitude in constructing a budget proposal for the use of the funds. The Governor's proposed fiscal 2001 budget (including Supplemental Budget No. 1) meets the statutory requirements, with \$90.5 million, or 59% of the settlement funds, allocated to health- and tobacco-related programs. The total fiscal 2001 allowance for the Cigarette Restitution Fund is \$153.5 million.

State Expenditures: Special fund expenditures will increase by \$70.4 million in fiscal 2001, which accounts for the October 1, 2000, effective date. Future year expenditures reflect annualization and assume the same number of enrollees. This estimate is based on the following facts and assumptions:

- Approximately 62,000 Marylanders over 65 would be eligible to participate in MPAP and 75%, or 46,500, will actually enroll.
- Enrollees would use the \$1,500 maximum limit on prescriptions.
- Drug reimbursement expenditures will total \$69,750,000 (\$1,500 x 46,500).

This estimate also reflects administrative costs totaling \$660,510, which accounts for the bill's October 1, 2000, effective date. It reflects the cost of hiring 20 clerks, two supervisors, and two pharmacists to determine eligibility, process claims, enroll individuals, and pay providers. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$505,470
Operating Expenses	<u>155,040</u>
Total FY 2001 Administrative Expenses	\$660,510

Future year administrative expenditures reflect: (1) full salaries with 2.4% annual increases; and (2) 1% annual increases in ongoing operating expenses.

State Revenues: Special fund revenues will increase by an estimated \$16.74 million in each of fiscal 2001 and 2002. This estimate assumes that 42,500 enrollees will fill 24 prescriptions each month and pay a \$15 copayment for each prescription filled.

Additional Comments:

2000 Federal Poverty Level Income Guidelines*			
Size of Family	100% FPL	200% FPL	300% FPL
1	\$8,350	\$16,700	\$25,050
2	\$11,250	\$22,500	\$33,750
3	\$14,150	\$28,300	\$42,450
4	\$17,050	\$34,100	\$51,150

*Federal Register, Vol. 65, No. 31, February 15, 2000, pp. 7555-7557

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Medicaid), Department of Legislative Services

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