

**Department of Legislative Services**  
Maryland General Assembly  
2001 Session

**FISCAL NOTE**

Senate Bill 181      (Senator Hollinger, *et al.*)  
Finance

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**Health Insurance - Maintenance Prescription Drugs - Supply**

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This bill provides that an insured individual may receive up to a 100-day supply of a maintenance prescription drug in a single dispensing of the prescription.

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**Fiscal Summary**

**State Effect:** If the State chooses to include the bill's mandated benefit as part of the State Employee Health Benefits Plan, expenditures could increase by a significant amount beginning in FY 2002. Minimal general fund revenue increase from the State's 2% insurance premium tax on for-profit carriers. Minimal special fund revenue increase for the Maryland Insurance Administration from the \$125 rate and form filing fee.

**Local Effect:** Expenditures for local jurisdiction employee health benefits could increase if carriers raise their premiums as a result of the bill's requirements. Revenues would not be affected.

**Small Business Effect:** Potential minimal.

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**Analysis**

**Current Law:** An insured individual may receive up to a 90-day supply of a maintenance prescription drug in a single dispensing of the prescription.

**Background:** A maintenance drug is prescription medication that can be dispensed in larger quantities than the standard 30-day supply because it is used for continuous management of a chronic or long-term condition. Examples include oral contraceptives,

anti-hypertensives, hypercholesterolemics and thyroid/antithyroid drugs. Maintenance drugs generally do not include antibiotics, controlled substances, or drugs that require limited quantities per order.

**State Fiscal Effect:** Currently, the State Employee Health Benefits Plan prescription drug benefit is self-insured and administered by Advance PCS. The State plan covers a 90-day supply for maintenance drugs, with the exception of some drugs that are still dispensed in 100-day supplies. The State plan is not required to cover mandated benefits, but it has generally done so in the past.

Expenditures for the State Employee Health Benefits Plan could increase by a significant amount beginning in fiscal 2002, because the cost of a single prescription could increase by as much as 11%. The Department of Budget and Management advises that employee co-payments would not be increased as a result of the bill. *For illustrative purposes only*, State plan expenditures could increase by as much as \$5,790,579 in fiscal 2002, which accounts for the bill's October 1, 2001 effective date. Future year expenditures reflect annualization and 12% health care inflation.

This estimate is based on the following facts and assumptions:

- the State's average cost per prescription is \$61 (not including enrollee copayments);
- prescriptions are written for an average of 39.8 days' supply;
- increasing maintenance drug supplies from 90 to 100 days will increase the average days' supply by two days to 41.8 days' supply; and
- increasing the average days' supply of drugs without increasing employee copayments will increase the State's average cost per prescription by \$3 (to \$64).

Expenditures may be offset by the fact that enrollees should fill fewer prescriptions per year as a result of the additional ten-day supply provided by the bill. With the current 90-day supply, enrollees refill maintenance prescriptions an average of 4.05 times per year. With a 100-day supply prescription, enrollees would seek refills 3.65 times per year. In addition, the State plan will pay maintenance drug dispensing fees to pharmacies less often. There are insufficient data at this time to reliably estimate the number of maintenance drug prescriptions currently written under the State plan; therefore, any savings that result from fewer prescriptions being filled cannot be determined.

**Small Business Effect:** There are approximately 1,300 pharmacies in Maryland, 230 of which are small businesses. The bill's provisions may provide a pharmacy with some administrative savings, since many prescription drugs are packaged in 100-day counts. However, some small business pharmacies may experience reduced foot traffic in their stores and therefore reduced sales from other products.

Small businesses (2-50 employees) purchase the Comprehensive Standard Health Benefit Plan (CSHBP), which is exempt from including mandated benefits in its coverage. All carriers participating in the small business market must sell the CSHBP to any small business that applies for it. A small business may purchase riders to expand the covered services. In addition, the Maryland Health Care Commission takes mandated benefits into consideration when reevaluating the CSHBP benefit package. Small business health insurance costs may increase if carriers increase their premiums as a result of this bill.

**Additional Comments:** CareFirst BlueCross BlueShield of Maryland estimates that the bill's requirements would cause CareFirst to increase its premium rates approximately 4%. CareFirst currently provides prescription drug coverage for over 310,000 Maryland residents (excluding the small group market). If its contracts in the small group market are included, another 200,000 enrollees could be affected.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** CareFirst BlueCross Blue Shield of Maryland, Department of Budget and Management (Employee Benefits Division), Department of Health and Mental Hygiene (Boards and Commissions, Medicaid), Maryland Insurance Administration, Department of Legislative Services

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