

# Department of Legislative Services

Maryland General Assembly

2001 Session

## FISCAL NOTE

House Bill 687 (Delegate Pendergrass, *et al.*)

Economic Matters and Environmental Matters

### Senior Assistance - Short-Term Prescription Drug Subsidy Plan for Urban and Rural Counties

This bill creates the Short-Term Prescription Drug Subsidy Plan for Urban and Rural Counties. A health insurer, nonprofit health service plan, HMO, Medicaid managed care organization, or dental plan organization (carrier) that offers a Substantial, Affordable, and Available Coverage (SAAC) product will not receive its SAAC differential unless the carrier contributes to the subsidy plan.

The bill takes effect July 1, 2001 and sunsets on the earlier of June 30, 2002 or when Medicare provides comparable prescription drug benefits.

### Fiscal Summary

**State Effect:** Special fund expenditures could increase by \$3 million in FY 2002 only, which reflects the bill's sunset date. No effect on revenues.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	3,000,000	0	0	0	0
Net Effect	(\$3,000,000)	\$0	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** This bill expands the existing Short-Term Prescription Drug Subsidy Plan that serves Medicare-eligible individuals located on the Eastern Shore, Western Maryland, and Southern Maryland to include individuals in Central Maryland. The prescription drug subsidy plan provides prescription drug benefits to an individual who: (1) is 65 and over; (2) is eligible for Medicare Plus Choice; (3) resides in a medically under-served urban or rural county; (4) pays the Medicare Part B premium; (5) is not enrolled in a Medicare Plus Choice managed care program that provides prescription drug benefits at the time the individual applies for enrollment; and (6) pays the premium, copayments, and deductibles required under the subsidy plan. Enrollment in the plan is limited to 15,000 participants.

Medically under-served urban or rural counties include: (1) Anne Arundel County; (2) Baltimore City; (3) Baltimore County; (4) Harford County; (5) Howard County; (6) Montgomery County; or (7) Prince George's County.

The bill specifies that the subsidy plan must impose a \$30 per month premium as well as a \$50 deductible on each enrollee. The plan must also impose specified copayments for brand name and generic drugs, and sets a \$1,000 annual benefit limit per individual. The plan may also include a restricted formulary of experimental drugs (not approved by the federal Food and Drug Administration) for which the plan will not reimburse enrollees.

The program will be funded by the Short-Term Prescription Drug Subsidy Plan established in 2000. The total allowable expense for the two subsidy plans is the sum of the remaining balance on June 30, 2001 in the Short-Term Prescription Drug Subsidy Plan Fund established in 2000 and the \$5.4 million assessment made against carriers in 2001.

The Secretary of Health and Mental Hygiene, the Health Services Cost Review Commission (HSCRC), and the Maryland Insurance Administration (MIA) must report to the Governor and the General Assembly by June 30, 2002, including a summary of the plan's activities and expenses for the year, and any recommendations for consideration by the General Assembly. DHMH must adopt regulations to carry out the bill's provisions.

The HSCRC cannot take steps to eliminate or adjust the SAAC differential in hospital rates provided to carriers who provide a SAAC product in the nongroup market until the later of the termination of the Short-Term Prescription Drug Subsidy Plan for Urban and Rural Counties or the end of June 30, 2002.

If DHMH is notified by the federal Health Care Financing Administration (HCFA) that any provisions of the plan will invalidate the Maryland Medicare waiver or cause a reduction of the State's eligibility for federal funding of Medicaid, DHMH may suspend the provisions of the plan.

**Current Law:** There is a Short-Term Prescription Drug Subsidy Plan that provides prescription drug benefits to Medicare-eligible individuals living in medically underserved counties, including: (1) Allegany; (2) Calvert; (3) Caroline; (4) Carroll; (5) Cecil; (6) Charles; (7) Dorchester; (8) Frederick; (9) Garrett; (10) Kent; (11) Queen Anne's; (12) St. Mary's; (13) Somerset; (14) Talbot; (15) Washington; (16) Wicomico; and (17) Worcester counties.

Total contributions made to the subsidy plan fund by all carriers participating in the SAAC program are \$5.4 million per year. An individual carrier's required contribution is based on the carrier's percentage of the total SAAC differential benefits paid to carriers on January 1, 2000. This law sunsets the earlier of June 30, 2002 or when Medicare provides comparable prescription drug benefits.

**Background:** The Short-Term Prescription Drug Subsidy Plan (Chapter 565 of 2000) was implemented to provide Medicare-eligible individuals with prescription drug coverage in counties where Medicare Plus Choice programs were no longer offered. Medicare Plus Choice programs have since pulled out of the entire State. CareFirst BlueCross BlueShield of Maryland currently administers the Short-Term Prescription Drug Subsidy Plan.

**State Fiscal Effect:** Special fund expenditures could increase by an estimated \$3,002,538 in fiscal 2002 only as a result of the bill's provisions expanding the current Short-Term Prescription Drug Plan (Chapter 565 of 2000) to include individuals living in Central Maryland. Currently, CareFirst administers the plan and other SAAC carriers pay their annual assessment to the prescription drug subsidy fund, a special funded State account from which CareFirst may draw moneys to pay for prescription drug claims. This estimate is based on the following facts and assumptions:

- 6,000 individuals in the newly-covered counties will enroll in fiscal 2002;
- of the 6,000 new enrollees, 2,100 will enroll in the first month, 2,100 will enroll in the second month, and 180 will enroll each month thereafter;
- enrollees pay a \$30 per month premium; and
- the "per member per month" cost to the fund is \$51.59.

The Short-Term Prescription Drug Subsidy Plan Fund created by Chapter 565 of 2000 will be used to fund the bill's requirements. The fund is expected to have approximately \$5.1 million from the fiscal 2001 assessment on SAAC carriers as of June 30, 2001. In addition, the fund will receive another \$5.4 million on July 1, 2001 from the fiscal 2002 assessment on SAAC carriers. It is expected that there will be adequate moneys in the fund as of June 30, 2001 to cover the short-term plan created by Chapter 565 of 2000 as well as the plan created by the bill. Accordingly, special fund revenues would not be affected.

The adoption of regulations and the reporting requirements could be handled with existing DHMH and MIA budgeted resources.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** CareFirst BlueCross BlueShield of Maryland, Maryland Insurance Administration, Department of Health and Mental Hygiene (Health Services Cost Review Commission, Maryland Health Care Commission, Medicaid), Department of Legislative Services

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