

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

Senate Bill 239 (Senator Hollinger, *et al.*)

Finance and Budget and Taxation

Maryland Catastrophic Pharmaceutical Expense Program

This bill creates the Maryland Catastrophic Pharmaceutical Expense Program within the Department of Health and Mental Hygiene (DHMH). The program provides financial assistance to low-income Medicare-eligible individuals with catastrophic pharmaceutical expenses.

Fiscal Summary

State Effect: General fund expenditures could increase by an estimated \$59.1 million in FY 2002. Future year expenditures reflect annualization and inflation. The development of a program application could be handled with existing Department of Aging and DHMH budgeted resources. No effect on revenues.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	59.06	92.92	109.65	129.38	152.67
Net Effect	(\$59.06)	(\$92.92)	(\$109.65)	(\$129.38)	(\$152.67)

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

Local Effect: None.

Small Business Effect: Potential minimal. Some small business pharmacies could gain business from previously uncovered Medicare beneficiaries who could now buy prescription drugs.

Analysis

Bill Summary: An individual may qualify to receive financial assistance from the program if the individual: (1) does not qualify for assistance under Medicaid or the Maryland Pharmacy Assistance Program; (2) is Medicare-eligible; (3) has a family income at or below 250% of the federal poverty level; and (4) (a) does not have other prescription drug coverage and has out-of-pocket drug expenses that exceed 10% of the individual's annual income, or (b) has prescription drug coverage and has out-of-pocket drug expenses that exceed 10% of the individual's annual income after the coverage and payments by other liable entities are deducted. In addition, an individual may qualify for the program if the individual submits satisfactory evidence to DHMH that the individual paid a total amount for prescription drugs that is equal to or greater than the amount by which the individual's annual income exceeds 250% of the federal poverty level (FPL).

The program covers an individual's prescription drug costs that exceed 10% of the individual's annual income, and covers medications provided under the Maryland Pharmacy Assistance Program (MPAP). Reimbursements and copayments made under the program must be in accordance with the MPAP, and to the extent possible, DHMH must administer the program using existing administrative mechanisms, including the MPAP. The program is not an entitlement and is considered the payor of last resort.

The Department of Aging and DHMH must develop a single-page application for the program. In addition, DHMH must develop and issue a free consumer guide to help residents reduce prescription drug costs by purchasing and using drugs wisely.

DHMH is required to submit an annual report to the General Assembly on the operation of the program on January 1 of each year for the first three years of the program. The report must include information on the number of individuals served, use rates, and expenditures under the program. The report must also address the impact of the program on reducing unmet prescription drug needs among the elderly and must recommend programmatic changes if appropriate.

Current Law: The Maryland Pharmacy Assistance Program (MPAP) provides prescription benefits for low-income individuals who make less than \$9,650 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 116% of the FPL and is adjusted annually for inflation.

Background: The 2000 federal poverty level (FPL) income guidelines were published February 15, 2000. New FPL guidelines for 2001 should be published shortly.

2000 Federal Poverty Level Income Guidelines

<u>Family Size</u>	<u>250% of FPL</u>
Family of 1	\$20,875
Family of 2	\$28,125
Family of 3	\$35,375
Family of 4	\$42,625

State Expenditures: This estimate covers actual program costs only. General fund expenditures could increase by an estimated \$59,059,500 in fiscal 2002, which accounts for the bill's October 1, 2001 effective date. DHMH did not provide any information regarding administrative costs. It is assumed that DHMH could handle any administrative costs associated with the program with existing budgeted resources. Future year estimates assume the number of participating individuals remains the same and reflect annualization and inflation.

It is estimated that 33,000 individuals would participate in the program. This estimate is based on the following facts and assumptions:

- 205,000 Medicare beneficiaries have family income under 250% of the FPL (185,000 seniors and 20,000 disabled individuals);
- 15% (31,000) of those eligible to participate will do so;
- 2,000 individuals with family income above 250% of the FPL will spend down their income on prescription drug expenses and become eligible for the program;
- program expenditures per participant will be \$1,846 in fiscal 2002 (excluding \$5 copayment requirement); and
- prescription drug costs will increase by 18% annually.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Medicaid, Community Public Health Administration, Maryland Health Care Commission), Department of Aging, Department of Legislative Services

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ncs/jr

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