

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 725 (Delegate Rudolph)
 Health and Government Operations

Senior Citizen Prescription Medicine Relief Act

This bill requires a pharmacy that participates in the Medicaid program to charge Medicare beneficiaries a price for prescription drugs that does not exceed the price charged to Medicaid recipients plus the pharmacy’s cost for electronic transmissions of claims data. Medicare beneficiaries cannot use the Medicaid reimbursement rate for over-the-counter medications or compounded prescriptions.

The bill sunsets September 30, 2006.

Fiscal Summary

State Effect: Medicaid general fund expenditures increase by \$354,500 in FY 2004. Future year estimates reflect annualization, inflation, and the bill’s termination date. No effect on revenues.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	354,500	275,100	259,600	65,600	0
Net Effect	(\$354,500)	(\$275,100)	(\$259,600)	(\$65,600)	\$0

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

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The Department of Health and Mental Hygiene (DHMH) must: (1) provide a mechanism to calculate and transmit the price of a prescription drug to the pharmacy; (2) monitor pharmacy participation and compliance; and (3) report by December 1 of each year to the General Assembly information concerning pharmacies that discontinue participation in the Medicaid program and the reasons given for discontinuation.

The Department of Legislative Services must report to the General Assembly if the federal Medicare program adds prescription drugs to its scope of benefits. The Senate Finance Committee and the House Environmental Matters Committee will then evaluate the need to continue the drug discount program for Medicare beneficiaries.

Current Law: The Maryland Pharmacy Assistance Program (MPAP) provides prescription drugs to low-income residents who earn less than 116% of the federal poverty level guidelines (see **Exhibit 1**). Enrollees pay a \$5 copayment for each prescription filled.

The Maryland Pharmacy Discount Program (MPDP) permits a Medicare-eligible individual with income between 116% and 175% of the federal poverty guidelines (FPG) to purchase prescription drugs at 65% of the Medicaid payment level. Program enrollees also pay the pharmacists a \$1 processing fee.

The Short-Term Prescription Drug Subsidy Plan provides prescription drug insurance to Medicare beneficiaries. Enrollment is limited to Medicare-eligible individuals who have incomes below 300% FPG. There is no deductible, but enrollees pay a \$10 monthly premium in addition to a tiered copayment depending on the type of drug. Benefits are limited to \$1,000 annually.

Background: Medicare is the nation's largest health insurance program, covering over 39 million individuals who are either at least age 65 or disabled. Medicare does not provide a prescription drug benefit. Approximately two-thirds of all Medicare beneficiaries receive some type of prescription drug benefit through private health insurance. There are approximately 645,000 seniors over the age of 65 in Maryland, 215,000 of whom do not have prescription drug coverage.

State Fiscal Effect: General fund expenditures could increase by \$354,508 in fiscal 2004, which accounts for the bill's October 1, 2003 effective date. This estimate reflects one-time expenditures of \$75,000 for computer programming and \$25,000 for outreach services. It also reflects DHMH's payments for electronic transmissions to its point-of-

sale contractor that processes prescription drug claims for Medicaid. Electronic transmission costs (\$254,508) are based on the following facts and assumptions:

- 127,000 Medicare beneficiaries are eligible for coverage;
- 50% of those eligible to receive the discount for prescriptions will do so;
- the average Medicare beneficiary will purchase 24 prescriptions annually; and
- DHMH's cost for electronic transmissions is \$0.167 per transmission.

Future year estimates reflect annualization, inflation, and the bill's September 30, 2006 termination date.

Small Business Effect: There are approximately 1,300 pharmacies in Maryland, 230 of which are small businesses. Small business pharmacies that participate in Medicaid may be required to sell prescription drugs to Medicare beneficiaries at a loss because these pharmacies would have to sell prescription drugs at the Medicaid payment rate. In general, Medicaid's payments to pharmacies are only about 75% of the pharmacies' usual and customary charges. If pharmacies incur substantial losses, they may discontinue participation in the Medicaid program. Because one in three Medicare beneficiaries who do not have prescription drug coverage lives in rural areas, pharmacy pull-outs may disproportionately affect the rural areas of Maryland, including Western Maryland, the Eastern Shore, and Southern Maryland.

Additional Comments:

Exhibit 1

2003 Federal Poverty Level Guidelines for One Person*	
100%	\$8,980
116%	\$10,417
175%	\$15,715
200%	\$17,960
250%	\$22,450
300%	\$26,940

*Federal Register, Vol. 68, No. 26, February 7, 2003, pp. 6456-6458.

Additional Information

Prior Introductions: An identical bill, HB 1232, was introduced in the 2001 session; it was reported unfavorably by the Environmental Matters Committee.

Cross File: None.

Information Source(s): *Medicare and Prescription Drugs* (March 2000), Kaiser Family Foundation; *Report on the Possibility of a Buy-In Prescription Assistance Program* (December 6, 2000), Department of Health and Mental Hygiene (Medicaid, Boards and Commissions, Maryland Health Care Commission); U.S. Health Care Financing Administration; AARP; *The Clinton-Gore Administration Plan to Strengthen Medicare for Women* (July 27, 1999), The White House; U.S. Census Bureau; Department of Legislative Services

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