HB 1023

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1023 (Delegate Rosenberg, *et al.*)
Appropriations

State Employee and Retiree Health and Welfare Benefits Program - Modifications - Legislative Approval

This bill prohibits the Department of Budget and Management (DBM) from making any modifications to the State Employee and Retiree Health and Welfare Benefits Plan (State plan) as a result of the federal Prescription Drug, Improvement, and Modernization Act of 2003 without approval of the General Assembly.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: Requiring General Assembly approval for any State plan program changes related to the new Medicare prescription drug benefit would not materially affect State finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: In general, DBM must adopt regulations for the administration of the State plan, ensure that the State plan complies with all federal and State laws governing employee benefit plans, and recommend to the Governor the State share of the State plan's costs. DBM may include any benefit option deemed appropriate in the State plan.

Background: On December 8, 2003, President George W. Bush signed into law the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. This Act establishes a voluntary prescription drug benefit as Medicare Part D. It is slated to begin providing comprehensive drug coverage in January 2006. Until then, the plan provides a discount prescription drug card, expected to be available this spring, giving all Medicare enrollees a discount on prescription drugs and providing a subsidy to certain low-income enrollees.

The comprehensive drug coverage that begins in 2006 includes a $35 monthly premium, a $250 annual deductible, and 25% cost-sharing up to the initial $2,250 coverage limit. If an enrollee purchases additional drugs beyond the $2,250 limit, the enrollee must pay all costs of drugs between $2,250 and $3,600 the first year. If an enrollee spends more than $3,600, the enrollee is subject to 5% cost-sharing or certain low copayments.

Group health plans, such as the State plan, that provide employment-based retiree health care coverage with a drug benefit at least actuarially equivalent to the Medicare Part D plan will receive federal subsidies of 28% of costs for coverage (above $250 and up to $5,000) per qualified retiree in 2006. A qualified retiree is an individual who participates in the employer's retiree prescription drug benefits, and who is eligible but not enrolled in a Medicare prescription drug plan or Medicare Advantage (formerly Medicare+Choice) drug plan.

Group health plans may also pay Medicare Part D premiums for its retirees, or supplement Part D coverage.

State Fiscal Effect: The new Medicare Part D benefit permits the State plan to reduce prescription drug expenditures by either receiving the 28% federal subsidy toward eligible drug costs, or by coordinating benefits with the Medicare Part D benefit as the State plan already does for Parts A and B. Since none of these measures has been implemented, requiring General Assembly approval on future changes would not materially affect State finances.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Employer-Sponsored Group Health Plan Changes in the Medicare Prescription Drug Improvement and Modernization Act of 2003* (January 22, 2004) Haynes and Boone, LLP; U.S. Centers for Medicare and Medicaid Services; AARP; Kaiser Family Foundation; Department of Health and Mental Hygiene; Department of Budget and Management (Employee Benefits Division); Department of Legislative Services

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