

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 798
Finance

(Senator Middleton)

Health Insurance - Maintenance Drug Prescriptions - Mail Order Purchase

This bill repeals the provision prohibiting an insurer or nonprofit health service plan (carrier) from imposing different copayments, deductibles, or other cost-sharing arrangements on prescriptions filled at community pharmacies than those filled through mail-order pharmacies. A carrier may not require that maintenance drugs be filled through a mail-order pharmacy.

Fiscal Summary

State Effect: No effect on Medicaid or the State Employee and Retiree Health and Welfare Benefit Plan or the Medicaid program. Potential minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2005.

Local Effect: To the extent local government health benefits use mail-order prescription drug plans and impose different cost-sharing arrangements on them to encourage their use, local jurisdiction health benefit expenditures could decrease. No effect on revenues.

Small Business Effect: Potential meaningful.

Analysis

Current Law: A carrier must impose uniform cost-sharing arrangements for prescriptions filled at both community pharmacies and mail-order pharmacies.

Background: Many carriers encourage the use of mail-order prescription drug benefits because they, on average, are cheaper than filling prescriptions at a retail pharmacy.

Most mail-order pharmacies dispense at larger volumes, typically a 90-day supply. Average mail-order discounts increase slightly if prescriptions are dispensed for a 90-day supply rather than for a 30-day supply. Cost savings are achieved by reducing overhead expenses associated with pharmacies.

A 2003 U.S. General Accounting Office study of the federal employee benefits plan found that prices negotiated for drugs by a pharmacy benefits manager from retail pharmacies were about 18% below the average cash price customers would pay at retail pharmacies for 14 selected brand-name drugs and 47% below the average cash price for four selected generic drugs. The average mail-order price was about 27% and 53% below the average cash price customers would pay at a retail pharmacy for the selected brand name and generic drugs, respectively.

State Fiscal Effect: The State Employee and Retiree Health and Welfare Benefit Plan (State plan) prescription drug plan is administered by a third party pharmacy benefits manager and is self-insured by the State. Currently, there is no mail-order option for maintenance drugs under the State plan and the bill's provisions would have no immediate fiscal impact. If the State plan chooses to implement a mail-order option in the future, it could set different cost-sharing requirements to encourage enrollees to use the cheaper mail-order option, thereby reducing overall State expenditures on prescription drugs. Medicaid would not be affected because the bill's provisions do not apply to Medicaid managed care organizations.

Small Business Effect: In 2002, approximately 53,000 small businesses provided health insurance coverage to 448,000 covered lives in the small group market. Each policy carried an average 1.835 covered lives.

Small Business Health Insurance Costs: Small businesses (50 or fewer employees) purchase the Comprehensive Standard Health Benefit Plan (CSHBP). All carriers participating in the small business market must sell CSHBP to any small business that applies for it. The Maryland Health Care Commission (MHCC) specifies the benefit package for CSHBP, and carriers must offer those benefits at a minimum. However, a small business may purchase riders to expand the covered services. If MHCC adopts different cost-sharing arrangements for mail-order pharmacies, or if carriers offer riders that reduce prescription drug copayments for mail-order pharmacies, small business health insurance costs could decrease.

Small Business Pharmacies: There are approximately 1,100 pharmacies in Maryland, one-quarter of which are small businesses. If carriers implement different cost-sharing arrangements for mail-order pharmacies to encourage their use, small business retail pharmacy revenues would decrease.

Additional Information

Prior Introductions: None.

Cross File: HB 344 (Delegate Hammen) – Health and Government Operations.

Information Source(s): *Federal Employees' Health Benefits: Effects of Using Pharmacy Benefit Managers on Health Plans, Enrollees, and Pharmacies* (GAO-03-196 January 10, 2003); Department of Health and Mental Hygiene (Boards and Commissions); Maryland Insurance Administration; Department of Budget and Management (Employee Benefits Division); Department of Legislative Services

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