

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1062 (Delegate Murray, *et al.*)
 Health and Government Operations

Health Insurance - Prescription Drug Coverage - Alternative Drugs

This bill requires a health insurer, nonprofit health service plan, or HMO (carrier) that provides coverage for prescription drugs to include in its formulary alternative drugs, as approved by the State Board of Pharmacy, for sub-groups of the population that have experienced adverse effects from the drugs on the formulary.

Fiscal Summary

State Effect: Board of Pharmacy special fund expenditures could increase by \$47,800 in FY 2006. State Employee and Retiree Health and Welfare Benefit Plan (State plan) expenditures could increase, beginning in FY 2006. Future year estimates reflect annualization and inflation. No effect on revenues.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	47,800	59,100	62,500	66,200	70,200
GF/SF/FF Exp.	-	-	-	-	-
Net Effect	(\$47,800)	(\$59,100)	(\$62,500)	(\$66,200)	(\$70,200)

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

Local Effect: Local jurisdiction expenditures for employee health benefits could increase if carriers increase their premiums as a result of the bill's requirements.

Small Business Effect: Minimal.

Analysis

Current Law: A carrier that limits its coverage of prescription drugs or devices to those on a formulary must establish and implement a procedure by which a member may receive a prescription drug that is not on the formulary. The procedure must provide for coverage for a prescription drug that is not on the formulary if, in the judgment of the authorized prescriber, there is no equivalent drug on the entity's formulary or an equivalent drug has been ineffective or has caused or is likely to cause an adverse reaction or other harm to the patient.

State Fiscal Effect: Board of Pharmacy special fund expenditures could increase by \$47,753 in fiscal 2006, which reflects the bill's October 1, 2005 effective date. This estimate reflects the cost of hiring one pharmacist to determine alternative drugs for inclusion in a carrier's formulary. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	\$41,692
Operating Expenses	<u>6,061</u>
Total FY 2006 State Expenditures	\$47,753

Future year expenditures reflect: (1) full salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses. Revenues would not be affected.

State plan expenditures could increase depending on types of drugs defined as "alternative." If alternative drugs include over-the-counter drugs, homeopathic, or non-FDA approved medications, State plan expenditures for prescription drugs could increase by a significant amount. State plan expenditures assume a fund mix of 60% general funds, 20% federal funds, and 20% special funds; 20% of expenditures are reimbursable through employee contributions.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Board of Pharmacy), Maryland Insurance Administration, Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - March 11, 2005
mp/jr

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