

Department of Legislative Services  
 Maryland General Assembly  
 2005 Session

FISCAL AND POLICY NOTE  
 Revised

House Bill 1143

(Delegate Rudolph, *et al.*)

Health and Government Operations

Finance

Maryland Pharmacy Discount Program - State Discount - Eligibility

This bill alters eligibility requirements for the Maryland Pharmacy Discount Program (MPDP) to cover individuals who earn less than 200% of the federal poverty level guidelines (FPG), do not have prescription drug coverage, and who are not eligible for Medicare. It also repeals the required amount of a State subsidy for drugs. The Department of Health and Mental Hygiene (DHMH) must apply to the federal Centers for Medicare and Medicaid Services for an amendment to the State's existing waiver to implement eligibility changes. If the amendment is approved, all individuals enrolled in MPDP on or before the date of the amendment application may remain enrolled in MPDP through December 31, 2005.

The expansion takes effect on the date the federal government approves the amendment. The bill's other provisions take effect June 1, 2005.

Fiscal Summary

**State Effect:** Medicaid expenditures could increase by \$1.9 million in FY 2007. Future year estimates reflect enrollment growth and prescription drug cost inflation.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	.9	.5	.6	.7
FF Expenditure	0	.9	.5	.6	.7
Net Effect	\$0	(\$1.9)	(\$1.0)	(\$1.2)	(\$1.4)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** MPDP permits a Medicare-eligible individual who earns between 116% and 175% FPG to purchase prescription drugs at 65% of the Medicaid payment level. An enrollee may receive a discount subsidized by DHMH that is equal to 35% of the Medicaid payment level. Program participants also pay pharmacists a \$1 processing fee per prescription filled.

**Background:** Beginning in January 2006 Medicare beneficiaries will be able to enroll in Medicare Part D, a prescription drug benefit. Enrollee cost-sharing requirements such as deductibles and copayments are waived for certain lower-income enrollees. Since Medicare Part D is a more comprehensive and less expensive benefit for individuals who are currently enrolled in MPDP, DHMH is requiring MPDP enrollees to enroll in Medicare Part D for coverage. Estimated savings from abolishing MPDP are \$1 million in fiscal 2006 (\$2 million annualized), which is reflected in the fiscal 2006 Medicaid budget allowance.

**State Fiscal Effect:** DHMH expenditures could increase by an estimated \$1,888,000 in fiscal 2007, which assumes it takes one year to obtain federal waiver approval and reflects a July 1, 2006 start-up date for the program expansion. This estimate does not reflect the \$1 million savings (50% general funds, 50% federal funds) already accounted for in the fiscal 2006 budget. Although no subsidy amount is specified, DHMH assumes it will provide a 22% subsidy to enrollees. The information and assumptions used in calculating the estimate are stated below:

- there is a one-time \$1 million cost to program the mainframe to accept a new coverage group;
- 37,000 new individuals under 200% FPG enroll;
- the total annual drug expenditure per enrollee is \$1,203 in fiscal 2007;
- DHMH subsidizes 22% of the total cost, or \$265;
- DHMH receives 20% manufacturer rebate on total cost, or \$241; and
- DHMH pays \$24 per enrollee.

Future year estimates reflect 2% enrollment growth and 15.4% prescription drug cost inflation.

**Additional Comments:**

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**Exhibit 1**  
**2005 Federal Poverty Guidelines for One Person\***

100% FPG	\$ 9,570
200% FPG	\$19,140
300% FPG	\$28,710

\* *Federal Register*, Vol. 70, No. 33, February 18, 2005, pp. 8373-8375.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 728 (Senator Pinsky, *et al.*) – Finance.

**Information Source(s):** Department of Health and Mental Hygiene (Medicaid),  
Department of Legislative Services

**Fiscal Note History:** First Reader - March 1, 2005  
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